82-46

No.

Office - Supreme Court, U.S.
FILED
JUL 12 1982
ALEXANDER L. STEVAS,
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1982

CATHOLIC BISHOP OF CHICAGO

Petitioner,

v.

F.E.L. PUBLICATIONS, LTD.

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

DON H. REUBEN
JAMES A. SERRITELLA
JAMES A. KLENK
JAROSLAWA ZELINSKY JOHNSON
19 S. LaSalle Street
Chicago, Illinois 60603
(312) 558-5500
Attorneys For Petitioner

Of Counsel:
REUBEN & PROCTOR
19 S. LaSalle Street
Chicago, Illinois 60603

Pandick Press Midwest, Inc., Chicago • 454-7600

QUESTIONS PRESENTED

1. Whether respondent publisher misused its copyright monopolies by

(a) licensing the right to copy one hymn only on the condition that the right to copy the publisher's entire 1,400 hymn repertoire is purchased; and

(b) licensing the right to perform hymns at not-for-profit religious services, a right not granted by the copyright law; and

(c) licensing works and collecting royalties for hymns in the public domain;

and whether such misuse is a complete defense to this case.

2. Whether petitioner's right to a jury trial was denied when the district court granted the petitioner summary judgment finding a *per se* tying violation and the court of appeals reversed that ruling and *sua sponte* entered judgment for the publisher on a rule of reason analysis without giving petitioner any opportunity to introduce evidence on the unreasonableness of the trade restraint.

TABLE OF CONTENTS

	PAGE
Questions Presented	i
Opinions Below	1
Jurisdiction	2
Statutes and Constitutional Provision Involved	2
Statement of the Case	3
The Parties	3
Market for English Liturgical Music	4
F.E.L.'s Annual Copy License	4
Proceedings Below	6
The District Court	6
The Court of Appeals	7
Reasons for Granting Writ	8
I. THE SEVENTH CIRCUIT'S DECISION RADICALLY DEPARTS FROM THE MISUSE DOCTRINE AND DIRECTLY CONFLICTS WITH THIS COURT'S DECISIONS IN LOEW'S, PARAMOUNT PICTURES AND ZENITH	10
A. *Mandatory Package Licenses Are Per Se Illegal*	11
1. *The ACL Is a Mandatory Package License*	12
2. *BMI Is Not Applicable*	13
B. *The ACL Licenses Other Rights Not Granted by the Copyright Law*	16
1. *Not-For-Profit Performances*	16
2. *Public Domain Works*	18
II. THE SEVENTH CIRCUIT'S *SUA SPONTE* VALIDATION OF THE ACL UNDER THE RULE OF REASON VIOLATES THE BISHOP'S RIGHT TO TRIAL BY JURY AND DIRECTLY CONFLICTS WITH THIS COURT'S DECISION IN *FOUNTAIN* v. *FILSON*	19
Conclusion	22

TABLE OF AUTHORITIES

Cases

	PAGE
Advanced Business Systems & Supply Co. v. *SCM Corp.*, 415 F.2d 55 (4th Cir. 1969)	20
Alfred Bell & Co. v. *Catalda Fine Arts, Inc.*, 191 F. 2d 99, 105-106 (2d Cir. 1951)	8
Alden-Rochelle, Inc. v. *ASCAP*, 80 F. Supp. 888 (S.D.N.Y. 1948)	15
Arizona v. *Maricopa County Medical Society*, 50 U.S. L. W. 4687 (June 18, 1982)	13, 14, 15, 21
Automatic Radio Mfg. Co. v. *Hazeltine Research Inc.*, 339 U.S. 827 (1950)	15
Broadcast Music, Inc. v. *Columbia Broadcasting System, Inc.*, 441 U.S. 1 (1979)	7, 13, 14
Brulotte v. *Thys Company*, 379 U.S. 29 (1964)	17
Fountain v. *Filson*, 336 U.S. 681 (1949)	9, 18, 19, 21
Greyhound Computer Corp. v. *IBM Corp.*, 559 F.2d 488 (9th Cir. 1977), *cert. denied*, 434 U.S. 1040 (1978)	20
Harms, Inc. v. *Sansom Enterprises, Inc.*, 162 F. Supp. 129 (E.D. Pa. 1958), *affirmed sub nom. Leo Feist, Inc.* v. *Lew Tandler Tavern Inc.*, 267 F.2d 494 (3d Cir. 1959)	8
Mercoid Corp. v. *Mid-Continent Invest. Co.*, 320 U.S. 661 (1944)	10, 18
Morton Salt v. *G. S. Suppiger Co.*, 314 U.S. 488 (1942)	8, 10, 18
Mulvey v. *Samuel Goldwyn Productions*, 435 F. 2d 1073 (9th Cir. 1970), *cert. denied* 402 U.S. 923 (1971)	12
M. Witmark & Sons v. *Jensen*, 80 F. Supp. 843 (D. Minn 1948), *appeal dismissed sub nom. M. Witmark & Sons* v. *Berger Amasement Co.*, 177 F. 2d 515 (8th Cir. 1949)	8, 15

Northern Pacific Railway Co. v. *United States*, 356 U.S. 1 (1958) 19

Rains v. *Cascade Indus. Inc.*, 402 F. 2d 241 (3d Cir. 1968) 20

Stein v. *Mazer*, 204 F.2d 472 (4th Cir. 1953), *affirmed* 347 U.S. 201 (1954) 8

United States v. *ASCAP*, 1940-43 Trade Cas. (CCH) ¶ 56,104 (S.D. N.Y. 1941) *amended*, 1950-51 Trade Cas. (CCH) ¶ 62,595 (S.D. N.Y. 1950) 20

United States v. *Loew's, Inc.*, 371 U.S. 38 (1962) ... 7, 8, 9, 10, 11, 12 13, 17, 20

United States v. *Paramount Pictures*, 334 U.S. 131 (1948) 7, 11, 12

Wihtol v. *Crow*, 199 F. Supp. 682 (S.D. Iowa), *rev'd on other grounds* 309 F.2d 777 (8th Cir. 1962 2

Zenith Radio Corp. v. *Hazeltine Research, Inc.*, 395 U.S. 100 (1969) 9, 11, 15

Statutes:

Copyright Act of 1909, 17 U.S.C. § 1 2

Copyright Act of 1976, 17 U.S.C. § 110 ..... 2, 16

Sherman Act, Section 1, 15 U.S.C. § 1 3

United States Constitution, VII Amendment 18

Procedural Rules:

Federal Rule of Civil Procedure 56 ..... 10, 19

PAGE

Other Authorities:

Treatises

2 *Nimmer on Copyright*, § 8.15[A] (1978 ed.) 17

Law Reviews

Fine, *Misuse and Antitrust Defenses to Copyright Infringement Actions*, 17 Hastings L. J. 315 (1965) 11

Gibbs, *Copyright Misuse: Thirty Years Waiting for the Other Shoe*, 23 ASCAP Copyright Laws Symposium 31 (1977) 8, 9, 11

IN THE

Supreme Court of the United States

OCTOBER TERM, 1982

CATHOLIC BISHOP OF CHICAGO

Petitioner,

v.

F.E.L. PUBLICATIONS, LTD.

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

The Catholic Bishop of Chicago ("Bishop"), respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Seventh Circuit, entered in this case on March 25, 1982, reversing the decision of the district court granting summary judgment to petitioner.

OPINIONS BELOW

The opinion of the court of appeals is not yet officially reported and is reprinted as Appendix A to this Petition. The petition for rehearing *en banc* was denied without opinion. The opinion of the district court granting the petitioner's motion for summary judgment on his copyright misuse defense is not officially reported and is reprinted as Appendix B.

JURISDICTION

The judgment of the United States Court of Appeals for the Seventh Circuit was entered on March 25, 1982. A petition for rehearing *en banc* was timely filed, and was denied on May 17, 1982. This Court has jurisdiction to review the judgment of the Court of Appeals by writ of certiorari pursuant to 28 U.S.C. § 1254(1).

STATUTES AND CONSTITUTIONAL PROVISION INVOLVED

The Copyright Act of 1909, 17 U.S.C. § 1, provides in pertinent part:

> Any person entitled thereto upon, complying with the provisions of this title, shall have the exclusive right:
>
> (a) To print, reprint, publish copy, and vend the copyrighted work . . .
>
> (e) To perform the copyrighted work publicly for profit if it be a musical composition; and for the purpose of public performance for profit, and for the purposes set forth in subsection (a) hereof, to make any arrangement or setting of it or of the melody of it in any system of notation or any form of record in which the thought of an author may be recorded and from which it may be read or reproduced . . .

The Copyright Act of 1976, 17 U.S.C. § 110, provides in pertinent part:[1]

---

[1] F.E.L.'s copyright misuse initially occurred under the Copyright Act of 1909, but continues to the present in violation of the Copyright Act enacted in 1976. Under the 1909 Act, the copyright holder was not granted the right to license not-for-profit performances. *Wihtol* v. *Crow*, 199 F. Supp. 682, 685 (S.D. Iowa), *rev'd on other grounds* 309 F. 2d 777 (8th Cir. 1962).

> Notwithstanding the provisions of section 106, the following are not infringements of copyright: . . .
>
> (3) performance of a nondramatic literary or musical work or of a dramatico-musical work of a religious nature, or display of a work, in the course of services at a place of worship or other religious assembly; . . .

Section 1 of the Sherman Act, 15 U. S. C. § 1, provides in pertinent part:

> "Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal. . . ."

The Seventh Amendment to the United States Constitution provides in pertinent part:

> In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by the jury shall be preserved, . . .

STATEMENT OF THE CASE

The Parties

Petitioner Catholic Bishop of Chicago is the legal entity of the Roman Catholic Archdiocese of Chicago. The Bishop is a corporation sole under a special article of the Illinois legislature, and owns all property within the 447 parishes of the archdiocese. (A. 1a)[2]

Respondent F.E.L. Publications, Ltd. is a publisher of Catholic religious music and the owner of more than 1,400 copyrights on hymns purchased from individual composers in exchange for royalties based on sales. (A. 2a)

---

[2] All citations to the appendix are labeled (A.). The abbreviations used in this petition refer to affidavits, depositions and exhibits. Affidavits are identified by affiant's name and paragraphs. Depositions are identified by deponent's name followed by the page number. Exhibits are labeled as such.

Market for English Liturgical Music

In 1963, the Second Vatican Council revolutionized the traditional Latin mass in Roman Catholic worship. Vatican II mandated (1) that the mass be conducted in the vernacular (English in the United States) (2) that the congregation participate in the mass and (3) that the Church develop a new music tradition. (A. 20a) The District Court described the commercial opportunity that developed:

> From this need, a new market arose, a market for Catholic liturgy music in the English language. The Church, in an effort to maintain its independent identity, did not consider existing English hymns of the Protestant reform appropriate for use in Catholic religious activities. (A. 20a-21a)

The Catholic Church, unlike some Protestant denominations, does not have a printed national hymnal. (A. 2a) No one music publisher could meet the Church's post-Vatican II needs for new English liturgical music. Instead, publishers of English Catholic liturgical music offered licensing policies which permitted parishes to select and to copy the best hymns of each publisher for use in compiling custom-made parish hymnals. (Coughlin ¶ 23)

F.E.L., as owner of "some of the most popular religious copyrights in the country," was one of the first publishers to enter the market. (A. 21a) Prior to November 1972, F.E.L. licensed the right to copy its music at $.02 per copy-per song for the life of the copy. (A. 22a) Other publishers also offered permission to copy their music without charge or on a per song-per copy basis. (Coughlin ¶ 25)

F.E.L.'s Annual Copy License

In November 1972 F.E.L. introduced its Annual Copy License ("ACL"). (A. 22a-23a) Appendix C is a copy of the ACL. The ACL grants the user the right to copy any or all of F.E.L.'s 1400 hymns for a one year term for a fee of $100.00. (A. 40a *et seq.*) Article 4 of the ACL purports to grant the user "the right to perform the music and/or text at not-for-profit

performances for purposes of worship and/or classroom use. . ." Use of the copies is also restricted to "user's premises." (ACL, Art. 3-4). At the end of one year the licensee must either destroy all copies of F.E.L.'s music or renew the license, paying an additional $100.00 for another year. (ACL, Art. 8). At the time of suit, 30 parishes in the archdiocese had purchased the ACL. (A. 24a)

From 1972 through the filing of this suit in 1976, "the ACL [wa]s the only license offered to parishes which allow[ed] the parishes to use F.E.L. songs in a custom-made hymnal." (A. 2a) By contrast, other publishers of English Catholic liturgical music licensed the right to copy music on a per song-per copy basis without any requirement that the copies be destroyed. (Coughlin ¶ 24-25.) Some of these other publishers offered package licenses as well (*Id.*) but only F.E.L. exclusively offered a package license "to permit each parish to compile its own 'custom songbooks.' " (Fitz. Aff. ¶ 5-6.)[3]

Since the institution of the ACL, Chicago parishes have repeatedly requested permission to copy only a few of F.E.L.'s 1,400 hymns for parish hymnals. (DX I, Parish Letters.) Uniformly, F.E.L. rejected all requests for licensing on a per song "per copy basis for permanent inclusion in a hymnal." (A. 32a) F.E.L.'s policy, in the words of its President, Dennis Fitzpatrick, was "all or nothing." (Fitz. at 33-34) F.E.L. did "not grant a partial license," even if a parish wanted to copy only one song. (*Id.*)

F.E.L. informed parishes that only two alternatives to the ACL were available: purchase a One-Time-Use license or purchase a printed publication. (A. 23a) The One-Time-Use License, created for special events such as weddings or confirmations, cost a minimum of $10.00 and required that the

[3] F.E.L. licensed songs to commercial publishers (in contrast to parishes) on a per song-per copy basis without a destruction requirement. (Cook at 53.) Recognizing the market power of its more popular songs, F.E.L. charged commercial publishers more than twice the price to copy its "Blockbusters" than the price charged to copy F.E.L.'s "Medium Popular" and "Less Popular" songs. (DXC)

copies be destroyed immediately after use. (*Id.*) Printed sheet music cost a dollar a copy; 500 copies of one song would cost $500.00. The One-Time-Use License was not suitable for compiling permanent custom hymnals, and by the admission of F.E.L.'s president, printed publications were not a substitute for copying rights because "no publisher, in the print media alone, can satisfy the considerations of worship" and "traditional print publishing is superfluous and out-of-date and far too restrictive." (DX J; A. 2a)

Proceedings Below

The District Court

On September 20, 1976, F.E.L. filed this action, alleging copyright infringement under the 1909 Copyright Act and unfair competition under the Lanham Act and Illinois law. (A. 3a) The Bishop's answer alleged affirmatively that F.E.L. was barred from any recovery by its copyright misuse, and included a counterclaim alleging that the ACL was an illegal tying contract under the Sherman Act. (A. 20a)

On March 29, 1979, F.E.L. filed a motion for summary judgment on the copyright infringement counts of its complaint and on the Bishop's antitrust counterclaim. (R. 13) On July 10, 1979, the Catholic Bishop filed a cross-motion for summary judgment solely on the misuse defense. (R. 15, 16) On May 23, 1980, the district court denied F.E.L.'s motion for summary judgment, holding that there were material facts in dispute under F.E.L.'s summary judgment theory.

On January 9, 1981, the District Court granted the Bishop's motion for summary judgment on two grounds: First, the district court held that the ACL unlawfully extended F.E.L.'s copyright monopoly by licensing the not-for-profit religious performances of F.E.L.'s hymns, and by requiring the user either to destroy all copies upon expiration of the license or to pay another $100 for the right to continue to sing the hymns. (A. 30a)

Second, the district court held that the ACL is a tying contract illegal *per se* under *United States* v. *Loew's, Inc.*, 371 U. S. 38 (1962), and *United States* v. *Paramount Pictures*, 334 U. S. 131 (1948): A "church or parish desiring to purchase the right to copy and use some of the listed songs has to pay for permission to use them all." (A. 31a) The district court distinguished *Broadcast Music, Inc.* v. *Columbia Broadcasting Systems, Inc.*, 441 U. S. 1 (1979), ("BMI"), on the ground that that case involved a non-exclusive blanket license developed under provisions of consent decrees: The "consent decrees allowed direct licensing from individual owners" and "this saved" the BMI "licenses from being coercive and hence illegal." (A. 31a)

The Court of Appeals

On March 26, 1982, the Seventh Circuit (Swygert, J.) reversed the summary judgment and *sua sponte* entered judgment for F.E.L. on the copyright misuse issues. The court of appeals acknowledged that under the Copyright Act F.E.L. could not license not-for-profit performances. (A. 4a) Nevertheless, despite express language in the ACL licensing this right and the court's concession that the ACL "could have been drafted more carefully," the court concluded that the ACL licenses "not merely the right to copy, but the right to continue to use the copies by distributing (publishing) the copies to the congregation during services." (A. 7a-9a) Without even mentioning *Loew's* or discussing *Paramount Pictures*, the Seventh Circuit also rejected the application of the *per se* rule. Relying on *BMI*, the court applied a rule of reason analysis to a record undeveloped by a full trial on the merits and decided that the ACL had no anticompetitive effects. The court concluded that a "trial on this issue would add nothing significant to the record" and entered judgment for F.E.L., (A. 13a) despite the fact that F.E.L. had argued that there were material facts in dispute and did not even request this relief on appeal. (Brief and Appendix for Plaintiff Appellant in No. 81-1333 (7th Cir.))

REASONS FOR GRANTING THE WRIT

Certiorari should be granted because the decision of the court of appeals is in direct conflict with prior rulings of this Court and, unless corrected, will seriously erode the copyright misuse doctrine and settled principles of antitrust law and will have a significant impact on the rights of millions of American Catholics seeking to use the music of their choice during worship:

First, the decision below presents an important question of federal copyright law. Since the decision in *Morton Salt* v. *G. S. Suppiger Co.*, 314 U. S. 488 (1942), this Court, in an unbroken line of cases, has held that the unlawful extension of a patent monopoly is a complete defense in a patent infringement case. This Court has never explicitly held that *Morton Salt's* misuse doctrine is applicable to a copyright case though it has stated that *Morton Salt's* principles apply to antitrust cases involving copyrighted works, *United States* v. *Loew's, Inc.*, 371 U. S. 38, 46 (1962).

Some lower courts have followed *Morton Salt* and have held that copyright misuse is a complete defense. *M. Witmark & Sons* v. *Jensen*, 80 F. Supp. 843 (D. Minn. 1948), *appeal dismissed sub nom. M. Witmark & Sons* v. *Berger Amusement Co.*, 177 F. 2d 515 (8th Cir. 1949). Others, like the court below, have refused to follow *Morton Salt* and have declared that copyright misuse is not a complete defense *i.e.*, equities must be weighed. *Alfred Bell & Co.* v. *Catalda Fine Arts, Inc.*, 191 F. 2d 99, 105-106 (2d Cir. 1951); *Stein* v. *Mazer*, 204 F. 2d 472 (4th Cir. 1953), *aff'd on another ground* 347 U. S. 201 (1954). Still others have held that copyright misuse is no defense at all. *E.g., Harms, Inc.* v. *Sansom Enterprises, Inc.*, 162 F. Supp. 129 (E. D. Pa. 1958), *affirmed sub nom. Leo Feist, Inc.* v. *Lew Tandler Tavern, Inc.*, 267 F. 2d 494 (3d Cir. 1959).

One commentator has concluded that the only common thread in these cases is that "the predilection of particular

judges toward one or the other policies [copyright or antitrust] will result in some cases being decided transparently on bias." Gibbs, *Copyright Misuse: Thirty Years Waiting For The Other Shoe*, 23 *ASCAP Copyright Law Symposium* 31, 62 (1977). We submit that the Seventh Circuit's opinion can only be explained on this basis and that this Court will never have a better opportunity to identify definitively the parameters of the copyright misuse doctrine and bring order to this confusion in the lower federal courts.

Second, the decision below is in direct conflict with this Court's decisions that mandatory package licensing is a *per se* violation of Section 1 of the Sherman Act, *United States* v. *Loew's, Inc.*, 371 U. S. 38, 46-50 (1962) and a *per se* misuse of a statutory monopoly. *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, 395 U. S. 100, 139 (1969). Here, the ACL is a classic tying contract, and F.E.L.'s uniform rejection of parish requests for per song-per copy licenses establishes the economic coercion that these well-settled *per se* rules were designed to condemn.

Third, the court of appeals' refusal to follow *Loew's* and *Zenith* extends far beyond the parties before the court. Prior to the court of appeals' decision, all publishers in the copy licensing market for English Catholic liturgical music, except F.E.L., offered licenses on a per song-per copy basis for the life of the copy. Now, if other publishers follow F.E.L.'s lead as approved by the Seventh Circuit and offer package licenses only, copyrighted songs will no longer rise or fall on their own merit but on the market power or tying leverage of a publisher's most popular copyrights. More than 22,000 Catholic parishes in the United States will be affected by this destruction of the free copy licensing market.

Finally, the decision below violates petitioner's Seventh Amendment right to trial by jury and directly conflicts with *Fountain* v. *Filson*, 336 U. S. 681 (1949). In *Fountain*, this Court held that a court of appeals may not reverse an award of

summary judgment and *sua sponte* enter judgment for the appellant on a new theory where the appellee had no opportunity to offer evidence disputing the new claim in the trial court. Here, the Seventh Circuit's *sua sponte* entry of judgment for F.E.L. on a rule of reason theory denies the Bishop's right to a jury trial and is contrary to Rule 56 of the Federal Rules of Civil Procedure. The Seventh Circuit's action represents a significant departure from the accepted and usual course of judicial administration and undercuts one of the basic purposes of *per se* rules—to classify certain restraints as illegal without forcing the challenging party to produce extensive evidence regarding their anticompetitive effects.

I. THE SEVENTH CIRCUIT'S DECISION RADICALLY DEPARTS FROM THE MISUSE DOCTRINE AND DIRECTLY CONFLICTS WITH THIS COURT'S DECISIONS IN *LOEW'S, PARAMOUNT PICTURES* AND *ZENITH.*

This Court's decision in *Morton Salt Co.* v. *G.S. Suppiger Co.*, 314 U. S. 488, 492 (1942) established the principle that the holder of a statutory monopoly cannot enforce his exclusive rights if he has misused the monopoly privilege by exceeding the scope of the statutory grant. The principle is rooted in the public policy of the copyright and patent laws that seeks to promote the arts and sciences and competition by conferring a limited statutory monopoly. 314 U. S. 490-93. That policy regards reward to the owner as a secondary consideration. *United States* v. *Loew's, Inc.*, 371 U. S. 38, 46 (1962). That same policy, *Morton Salt* holds, is subverted when the statutory monopoly is used to secure an additional exclusive right and a greater reward not granted by the statute and "which it is contrary to public policy to grant." 314 U. S. at 492.

The test of misuse is not whether the copyright owner has violated the antitrust laws. 314 U.S. at 490. Misuse, through tying of the statutory monopoly, bars recovery even if no

antitrust violation is proved. *Id.* The test is whether the copyright owner has extended his "exclusive bundle" of rights beyond the strict boundaries of the conferring statute. *Mercoid Corp.* v. *Mid-Continent Invest. Co.*, 320 U.S. 661, 665 (1944) and *Id.* at 674 (Opinion of Roberts, J.). The court of appeals ignored all of these principals in entering judgment for F.E.L.

A. Mandatory Package Licenses Are *Per Se* Illegal.

Mandatory package licensing has been condemned consistently as a *per se* misuse of a statutory monopoly, *Zenith Radio Corp.* v. *Hazeltine Research Inc.*, 395 U. S. 100, 139 (1969), and as a tying arrangement that *per se* violates the antitrust laws, *United States* v. *Loew's, Inc.*, 371 U. S. 38 (1963); *United States* v. *Paramount Pictures*, 334 U. S. 131 (1948). Economic analysis of the anticompetitive effects of tie-in licensing, such as that undertaken by Justice Goldberg in *Loew's*, has resulted in a solid front of opinion that an economic lever is added by such arrangements resulting in the subversion of the copyright policy. *See e.g.* Fine, *Misuse and Antitrust Defenses to Copyright Infringement Actions*, 17 Hastings L.J. 315, 335 (1965); Gibbs, *Copyright Misuse: Thirty Years Waiting for the Other Shoe*, 23 ASCAP Copyright Law Symposium 31 (1977).

The court of appeals' conclusion that the "ACL has no anticompetitive effects" and is not a misuse is in direct conflict with the teachings of this Court. In *Loew's* and *Paramount Pictures*, this Court scrutinized a mandatory package license virtually identical in structure to the one in issue here but involving copyrighted films rather than religious music and found it to be *per se* illegal. A copyrighted work "is presumed" to have the requisite economic power as a result of its uniqueness, 371 U.S. at 45-49, and, when included in a tying arrangement, has anticompetitive consequences:

> Where a high quality film greatly desired is licensed only if an inferior one is taken, the latter borrows quality from the former one and strengthens its monopoly by

drawing on the other. The practice tends to equalize rather than differentiate the reward for the individual copyrights. Even where all the films included in the package are of equal quality, the requirement that all be taken if one is desired increases the market for some. Each stands not on its own footing but in whole or in part on the appeal which another film may have. As the District Court said, the result is to add to the monopoly of the copyright in violation of the principle of patent cases involving tying clauses. (371 U. S. at 47, citing *Paramount*, 334 U. S. 158).

1. The ACL Is a Mandatory Package License

In deciding that the ACL was not a tying contract, the court of appeals ignored one central and unassailable fact—that some of F.E.L.'s hymns are much more popular than are others. (A. 32a) The appellate panel also overlooked the fact that Chicago parishes had repeatedly requested permission to copy only a few of F.E.L.'s 1400 copyrighted hymns and that F.E.L. refused to alter its all-or-nothing policy. (A. 32a) Under the ACL "in order to get F.E.L.'s most popular songs, a church must buy inferior songs as well." (A. 9a) Such "refusal to license one or more copyrights unless another is accepted is illegal." *Loew's*, 371 U. S. at 50; *Paramount Pictures*, 334 U. S. at 49-50.

The ACL's anticompetitive impact extends far beyond the parties here and the 22,000 Catholic parishes in the United States. It directly affects F.E.L.'s competitors and composers. Parishes coerced to buy the right to copy F.E.L.'s entire repertoire have less resources to purchase desired music from F.E.L.'s competitors. *Loew's*, 371 U. S. at 49. Parishes refusing to purchase the right to copy all of F.E.L.'s 1400 hymns when only one or two are desired do not pay composer royalties and, thus, "the revenue normally generated by the more desirable [hymns] will be substantially reduced." *Mulvey* v. *Samuel Goldwyn Productions*, 433 F. 2d 1073 (9th Cir. 1970), *cert. denied*, 402 U. S. 923 (1971). If the decision below is allowed

to stand, publishers will no longer have a legal obligation to offer per use licenses and the free market for copy licensing will be destroyed.

This Court has recognized that adherence to *per se* rules is necessitated by "economic prediction, judicial convenience and business certainty." *Arizona* v. *Maricopa County Medical Society*, 50 U. S. L. W. 4687, 4692 (June 18, 1982). "Once experience with a particular kind of restraint enables the Court to predict with confidence that the rule of reason will condemn it, it has applied a conclusive presumption that the restraint is unreasonable." *Id.* at 4690. No *per se* rule is more firmly entrenched (at least until the decision below) than the rule that tying arrangements involving copyrighted works are illegal. Indeed, in *Loew's*, this Court held that it was "difficult to conceive" of a case where the *per se* rule would not apply:

> Accommodation between the statutorily dispensed monopoly in the combination of contents in the patented or copyrighted product and the statutory principles of free competition demands that *extension of the patent or copyright monopoly by the use of tying agreements be strictly confined.* There may be *rare* circumstances in which the doctrine we have enunciated under § 1 of the Sherman Act prohibiting tying arrangements involving patented or copyrighted tying products is inapplicable. However, *we find it difficult to conceive of such a case*, and the present case is clearly not one. 371 U. S. at 50 (emphasis supplied)

By disregarding the *Loew's*, *Paramount Pictures*, and *Zenith* precedents, the Seventh Circuit has effectively undermined this Court's rationale for *per se* rules and rejected 40 years of this Court's jurisprudence.

2. BMI Is Not Applicable

The Seventh Circuit misapplied this Court's holding in *Broadcast Music, Inc.* v. *Columbia Broadcasting System, Inc.*,

441 U. S. 1 (1979) in concluding that the ACL was not a tying contract illegal *per se*. In *BMI*, this Court held that the BMI and ASCAP blanket licenses for the performance of non-dramatic musical compositions were not *per se* illegal *as price fixing agreements*. The principal basis for the decision was that the BMI and ASCAP licenses were necessary to market performance rights which, unlike the copying rights at issue here, could not realistically be negotiated in advance of performance. 441 U. S. at 19-23. Furthermore, because the BMI and ASCAP licenses were regulated by government consent decrees, the licenses placed no restriction on the ability of composers to market separately performance rights to individual hymns, 441 U. S. at 24.

The court of appeals' application of *BMI* to the present case is manifest error for several reasons. First, and most critically, this Court specifically held in *BMI* that copying rights, unlike the performance rights, *"can be negotiated in advance" and "are licensed on an individual basis."* 441 U. S. at 22 n. 37 (emphasis supplied). Here the undisputed record confirms this to be the case. Every Catholic music publisher, except F.E.L., licenses the right to copy music on a per song-per copy basis. (Coughlin ¶ 25.) Since other religious music publishers can license hymns individually, clearly there is no "market necessity" for F.E.L.'s mandatory ACL. The ACL does not create a marketable product where none existed before, as did the *BMI* licenses, but conditions the sale of one existing marketable product on the purchase of another. *Accord Arizona* v. *Maricopa County Medical Society*, 50 U. S. L. W. 4687 (U. S. June 18, 1982).

Second, ASCAP and BMI are mere wholesalers of music—neither organization owns copyrighted works. F.E.L., on the other hand, is the exclusive owner of all 1,400 copyrights. As Justice Stevens observed in *BMI*, under this Court's "prior cases there would be no question about the illegality of the blanket-only policy if ASCAP and BMI were the exclusive sources of all licenses." 441 U. S. at 28. Here,

F.E.L. *is* the "exclusive source of all licenses." Parishes cannot negotiate directly with writers and composers for copying licenses, but must deal with F.E.L. on F.E.L.'s terms—terms which are "all or nothing," the classic tying arrangement.

Third, F.E.L. is not subject to the pervasive regulation of a government consent decree. Prior to the entry of the ASCAP and BMI consent decrees, the licensing organizations' blanket-only licensing policies were held *per se illegal, Alden-Rochelle, Inc.* v. *ASCAP*, 80 F. Supp. 888 (S. D. N. Y. 1948), and a misuse of ASCAP's copyrights. *M. Witmark & Sons* v. *Jensen*, 80 F. Supp. 843 (D. Minn. 1948). Signally, the consent decrees ordered exactly what the Bishop seeks here, the option to negotiate individual per use licenses. *BMI*, 441 U. S. at 11-12.

The Seventh Circuit's statement that "if the district court's conclusions are accepted, this would make the mere offering of a blanket license a *per se* violation of the Sherman Act" fully reflects the lower court's misreading of the law. (A. 13a n. 15.) A blanket license may be valid when it is optional and desired by the licensee. *Automatic Radio Mfg.* v. *Hazeltine Research*, 339 U. S. 827 (1950). Other Catholic publishers offering blanket licenses follow this rule because, without exception, they also offer individual per song-per copy licenses. (Coughlin ¶ 24.) But when, as in the case of F.E.L., the only license offered is a mandatory package license and the licensor refuses to license copying on a per song-per use basis, that is both a coercive tying violation and a misuse of a statutory monopoly. *Zenith Radio Corp.* v. *Hazeltine Research Inc.*, 395 U. S. 100, 138 (1969). *See* Justice Stevens's opinion in *BMI*, 441 U. S. 1, 28-29 (1979) and the Second Circuit's opinion in *BMI* on remand, 620 F. 2d 930, 935-36 (2d Cir. 1980) for a discussion of the *Zenith-Automatic Radio* rule.

The Seventh Circuit's ready and uncritical adoption of *BMI* is but the most recent example of a disturbing trend in the lower federal courts. With ever greater frequency, the lower courts are jettisoning well settled *per se* rules and misreading

this Court's decisions in the mistaken view that in all cases "the Rule of Reason is the preferred method of determining whether a particular practice is in violation of the antitrust law." *Arizona* v. *Maricopa County Medical Society*, 50 U. S. L. W. 4687, 4688, n. 2 (U. S. June 18, 1982) (entering summary judgment on *per se* theory and reversing Ninth Circuit's decision at 643 F. 2d 553 that rule of reason applied). Indeed, the Seventh Circuit's decision is the most far reaching yet because judgment was entered against the Bishop without a trial and the opportunity to present evidence on "the elaborate inquiry into reasonableness of a challenged business practice." *Id.* at 4689.

This Court should grant certiorari to curb this trend and to reaffirm the continuing validity of the *per se* rule of *Loew's*, *Paramount Pictures* and *Zenith*.

B. The ACL Licenses Other Rights Not Granted by the Copyright Law

The court of appeals compounded its error in refusing to follow this Court's tying cases by disregarding the undisputed evidence that F.E.L. is also using its monopoly over the right to copy to extract royalties from nuns and priests for not-for-profit performances of F.E.L.'s music and for copying works in the public domain.

1. Not-For-Profit Performances

The ACL commands nuns and priests to purchase the license if they wish "to perform the music and/or text at not-for-profit performances." (A. 41a) In consideration for the $100 annual fee, Article 4 of the license expressly states:

> 4. *Performance Rights.* F.E.L. grants to USER the right to perform the music and/or text at not-for-profit performances for purposes of worship and/or classroom

use (including related C.C.D., Christian Education, and Sunday School classes) at USER'S premises identified below at Article 18. All public performances for profit are to be cleared through F.E.L.'s performance rights organization: A.S.C.A.P., One Lincoln Plaza, New York, N.Y. 20023.

But the right to perform copyrighted works at not-for-profit religious services is not within the "exclusive bundle of rights" conferred by the copyright law. (A. 4a, 26a-30a) *See* 17 U. S. C. § 110(3). Congress has historically excluded this right from the copyright monopoly because to prohibit such unlicensed performances "would constitute an undue restriction on the benefits which should be available to the public." 2 *Nimmer on Copyright*, § 8.15[A] at 8-144 (1978 ed.). The court of appeals' statement that the ACL "does not license the performance itself" flies in the face of the express language of the license and defeats the intent of Congress. F.E.L.'s extension of its monopoly right to copy to include the licensing of not-for-profit performances is no different than the extension of the term of the patent monopoly by private contract which this Court has condemned. *Brulotte* v. *Thys Company*, 379 U. S. 29 (1964).

The ACL's requirement that copies be destroyed at the end of one year if the license is not renewed confirms that F.E.L. is using the leverage of the right to copy to obtain royalties for not-for-profit performances. (A. 43a, Art. 8) *Even though the holder of an expired ACL does not wish to make additional copies after the first year,* the licensee must pay F.E.L. $100 per year for each year the licensee continues to use F.E.L.'s music in a parish hymnal. *Id.* Inevitably, churches are coerced into renewing their ACLs. Many parishes worked hard and spent a great deal of money on their custom-made hymnals. Faced with the choice of tearing out pages, destroying their hymnals, or paying another $100, they chose to pay $100 a year for the continuing right to perform the music granted in Article 4 of the

ACL. (Newman ¶¶ 7-9, Cullen ¶¶ 9-11, Bredka ¶ 9.) The "reward" F.E.L. obtains after the first year simply "is not related to" its exclusive right to copy. *See United States* v. *Loew's, Inc.*, 371 U. S. 38, 47 (1962).

2. *Public Domain Works*

Usually, parishes copy only the words of F.E.L.'s hymns. In many cases these words are in the public domain (*e.g.* "God Of Our Fathers," "Jesus Christ Has Risen Today," etc.) and F.E.L. only claims copyrights on new music arrangements. (A. 22a) Yet, Article 6 of the ACL directs that "even when the words alone are copied" (*i.e.* words in the public domain), copyright acknowledgements must be given *"since the composer's melody will be sung from memory rather than music notation."* (A. 42a) Indeed, F.E.L.'s financial statements show, and F.E.L.'s chief financial officer admitted, that F.E.L. collected royalties on this public domain material. (A. 22a; Boyd Dep. at 31-32; Dx D, FEL-PD entries.) This evidence proves that F.E.L. is collecting royalties not only for not-for-profit performances but also for copying public domain works—another classic misuse. *Mercoid Corp.* v. *Mid-Continent*, 320 U. S. 661 (1944) (misuse to exact license fee for public domain works).

Even the court of appeals recognized that F.E.L. had no legal right to "compel parishes to put a copyright for musical notes on words in the public domain." (A. 11a n. 11.) But this is exactly what unsophisticated nuns and priests are commanded to pay for by F.E.L. The court of appeals' conclusion that F.E.L.'s conduct is inconsequential because "dismissal of a copyright claim for misuse is an equitable defense which requires a balancing of equities" is a complete misreading of *Morton Salt*. *Id.* No such balancing is required by the misuse doctrine. The policy behind the misuse doctrine is so strong that, unlike the ordinary case of unclean hands, misuse bars suit

even against the most blatant thief "regardless of whether the particular defendant has suffered from the misuse." *Morton Salt* v. *G.S. Suppiger Co.*, 314 U. S. 488, 493-94 (1942).

II. THE SEVENTH CIRCUIT'S *SUA SPONTE* VALIDATION OF THE ACL UNDER THE RULE OF REASON VIOLATES THE BISHOP'S RIGHT TO TRIAL BY JURY AND DIRECTLY CONFLICTS WITH THIS COURT'S DECISION IN *FOUNTAIN* v. *FILSON*

The court of appeals acknowledged that the district court "did not evaluate the ACL under the rule of reason." (A. 13a.). The Bishop's motion for summary judgment in the district court was premised solely on the theory that the ACL was a *per se* misuse. (A. 26a) Under this Court's decisions, once tying arrangements are found in the context of sufficient economic power, the arrangements are illegal "without elaborate inquiry as to ... the business excuse for their use," *Northern Pacific Railway Co.* v. *United States*, 356 U. S. 1, 5 (1958). Accordingly, the Bishop did not believe he had to offer and did not marshal evidence to rebut F.E.L.'s purported justifications for the ACL on a rule of reason theory.

The court of appeals' reversal and *sua sponte* entry of judgment on a rule of reason theory for F.E.L. without a trial is in direct conflict with this Court's decision in *Fountain* v. *Filson*, 336 U. S. 681 (1949) and denies the Bishop his Seventh Amendment right to a trial by jury on the antitrust issues. In *Fountain*, this Court held that Rule 56 of the Federal Rules of Civil Procedure barred a court of appeals from reversing a summary judgment for an appellee and entering summary judgment for the appellant "on a new issue as to which the opposite party had no opportunity to present a defense before the trial court." 336 U. S. at 683. The court of appeals' decision here is especially bizarre because F.E.L.'s entire defense on appeal was that the "adequacy" of F.E.L.'s alternatives to the ACL was a contested issue of fact that barred summary

judgment for the Bishop. (F.E.L. Reply Br. at 9). In short, the court of appeals granted F.E.L. relief it did not even seek on appeal.

The court of appeals' decision completely departs from the proper treatment of cross-motions for summary judgment under Rule 56. As the Third Circuit has held:

> Cross-motions are no more than a claim by each side that it alone is entitled to summary judgment, and the making of such inherently contradictory claims does not constitute an agreement that if one is rejected the other is necessarily justified or that the losing party waives judicial consideration and determination whether genuine issues of material fact exist. If any such issue exists it must be disposed of by a plenary trial and not on summary judgment.

Rains v. *Cascade Indus. Inc.*, 402 F. 2d 241, 245 (3rd Cir. 1968).

The Bishop believed and still believes that he is entitled to summary judgment on a *per se* theory. F.E.L.'s officers admitted F.E.L.'s "all or nothing" licensing policy and that F.E.L.'s printed publications and the one-time-use license are not alternatives to the right to copy hymns for permanent custom-made hymnals. (*E.g.*, DX J, Cook at 33.) Indeed, F.E.L.'s financial statements confirmed that printed publications were not substitutes for the right to copy (DXD), and the economics of the hymnal market showed that printed publications and the one-time-use license did not offer parishes a genuine economic choice to the ACL.[4] Once F.E.L. decided to

---

[4] To purchase 500 printed song sheets of one F.E.L. song for 500 hymnals would cost $500 (and would, in all likelihood, be completely incompatible with the format of parish hymnals). In stark contrast, the $.02 per copy, per song copying license offered by other publishers costs a mere $10—a difference of $490. Similarly, taking a one-time-use license 52 times per year would cost at least $520 ($.02 per copy × 500 copies × 52 weeks). Such costs alone prevent sheet music and one-time-use licenses from being viable alternatives to copying rights. The prohibition against tie-ins cannot be evaded by making the desired material "separately available" at prices beyond the users' reach. *United States* v. *Loew's, Inc.*, 371 U. S. 38, 54 (1962);

Footnote continued on following page.

compete in the copy licensing market, it, like all the other publishers, had to compete in compliance with the antitrust laws. *See generally Greyhound Computer Corp.* v. *IBM Corp.*, 559 F. 2d 488, 492-96 (9th Cir. 1977), *cert. denied*, 434 U. S. 1040 (1978) (leasing and selling are separate markets).

At the very least, if the Bishop is now held to a rule of reason standard, this record creates genuine issues of material fact. All reasonable inferences therefrom must be viewed most favorably to the Bishop. The Bishop is entitled to a trial in order to make a full record on the "elaborate inquiry into the reasonableness of the challenged practice." *Arizona* v. *Maricopa County Medical Society*, 50 U. S. L. W. 4687, 4689 (U. S. June 18, 1982). The court of appeals reversal without remand denies the Bishop this fundamental constitutional right.

Finally, the court of appeals' departure from proper procedure is especially inappropriate in an antitrust case. Requiring an antitrust litigant who moves for summary judgment on a *per se* theory to prove simultaneously the more "difficult" rule of reason theory undermines one of the principal purposes of *per se* rules—to strike down certain restraints *without* "elaborate inquiry." *Id.* This Court should grant certiorari to reaffirm the sound principles of *Fountain* v. *Filson* and to correct the court of appeals' complete departure from the rules of fairness and proper procedure.

Footnote continued from preceding page.

Advanced Business Systems & Supply Co. v. *SCM Corp.*, 415 F. 2d 55, 62 (4th Cir. 1969); *United States v. ASCAP*, 1940-43 Trade Cas. (CCH) ¶ 56,104 (S.D. N.Y. 1941) (consent decree), *amended*, 1950-51 Trade Cas. (CCH) ¶ 62,595 (S.D. N.Y. 1950) (must have a *genuine* economic choice between per program and blanket licenses).

CONCLUSION

For the foregoing reasons, this Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

DON H. REUBEN
JAMES A. SERRITELLA
JAMES A. KLENK
JAROSLAWA ZELINSKY JOHNSON
19 S. LaSalle Street
Chicago, Illinois 60603
(312) 558-5500
Attorneys For Petitioner

Of Counsel:
REUBEN & PROCTOR
19 S. LaSalle Street
Chicago, Illinois 60603

TABLE OF CONTENTS

PAGE

Appendix A

Opinion of the United States Court of Appeals for the Seventh Circuit, dated March 25, 1982 ..... 1a

Appendix B

Memorandum Opinion of the United States District Court for the Northern District of Illinois, Eastern Division, dated January 9, 1981 ..... 19a

Appendix C

F.E.L.'s Annual Copy License 40a

In the

United States Court of Appeals

For the Seventh Circuit

No. 81-1333

F.E.L. PUBLICATIONS, LTD.,

Plaintiff-Appellant,

v.

CATHOLIC BISHOP OF CHICAGO,

Defendant-Appellee.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.
No. 76 C 3471—George N. Leighton, *Judge.*

ARGUED NOVEMBER 13, 1981—DECIDED MARCH 25, 1982

Before SWYGERT, *Senior Circuit Judge,* PELL, *Circuit Judge,* and GRANT, *Senior District Judge.**

SWYGERT, *Senior Circuit Judge.* The plaintiff-appellant in this case, F.E.L. Publications, Ltd. ("F.E.L.") is a music publisher who began publishing and marketing hymnals to Chicago's Catholic parishes in 1965. The copyrights for the songs which F.E.L. supplies have been purchased from individual composers who assigned the copyrights in their compositions in exchange for royalties based on sales. The defendant-appellee Catholic Bishop of Chicago ("Bishop") is an Illinois corporation

---

* The Honorable Robert A. Grant, United States Senior District Judge for the Northern District of Indiana, is sitting by designation.

and owns all Catholic parish property within the archdiocese of Chicago.

The Roman Catholic Church has never developed a national hymnal and most individual parishes in Chicago generally use a custom-made hymnal. Prior to November 1972, F.E.L. licensed to Catholic parishes the right to copy its songs on a two cents per-song/per-copy basis, for use in these custom-made hymnals. At that time, copyright infringement was a widespread and serious problem in the parishes. F.E.L.'s general knowledge of the occurrence of copyright infringement prompted F.E.L. to institute its Annual Copying License ("ACL") in 1972. The ACL permits parishes to copy one or more of F.E.L.'s songs, currently numbering approximately fourteen hundred, in unlimited quantities for a period of one year. F.E.L. provides a Master Title Index, listing its copyrighted songs, to the licensee for its selection. The license fee is $100 and requires that copies must be destroyed upon termination of the license unless renewed. Renewal of the ACL requires a $100 payment per year.

In addition to the ACL, F.E.L. offers numerous other ways to acquire its songs. These include a "One Time Usage License" which permits a licensee to copy F.E.L. songs for use at a single occasion at two cents per copy per song,[1] printed hymnals and songbooks sold for as low as thirty-nine cents per hymnal and nineteen cents per songbook (if ordered in quantity) and sheet music and congregation cards, containing F.E.L.'s most popular songs. Nevertheless, the ACL is the only license offered to parishes which allows the parishes to use F.E.L. songs in a custom-made hymnal.[2]

When F.E.L. became convinced that the ACL had failed to discourage illegal copying, it filed suit against

---

[1] This license requires that all copies must be destroyed after they have been used.

[2] Since 1979 F.E.L. has offered an annual per song license allowing copying in unlimited quantities for one year at a rate of $25.00 for the first song and $15.00 for each additional song. Because this license was only offered after November 1979, it is not pertinent to this lawsuit.

the Bishop in September 1976. The complaint alleged copyright infringement under the 1909 Copyright Act ("the Act"),[3] unfair competition under the Lanham Act,[4] and unfair competition under the common and statutory laws of Illinois. In the copyright claim, F.E.L. alleged that the Bishop, through his agents, copied and published F.E.L. songs without permission from F.E.L. F.E.L. further alleged that the Bishop produced hymnals containing F.E.L. songs and that the hymnals carried a false designation of origin in violation of the Lanham Act.

As a result of an agreement between the parties, thousands of songsheets and "homemade" hymnals were collected from the parishes and impounded by the United States District Court for the Northern District of Illinois. In all, over one and one-half million unauthorized copies of F.E.L. songs were collected from the Bishop.

Upon conclusion of discovery, F.E.L. and the Bishop both filed motions for summary judgment. F.E.L.'s motion was denied and the Bishop's motion was granted. The district court held that:

> (1) F.E.L.'s copyright claim was barred because (a) the ACL was used to illegally extend F.E.L.'s copyrights over exempt performances of the copyrighted music, and (b) the ACL was a tying contract and a per se violation of the Sherman Act;[5]
>
> (2) the Lanham Act claim must be dismissed because it failed to satisfy the jurisdictional element requiring that the offending articles enter into commerce, and the Bishop did not employ a false designation of origin; and

---

[3] The 1909 Copyright Act, 17 U.S.C. §§ 1 *et seq.*, has been replaced by the 1976 Copyright Act, 17 U.S.C. §§ 101 *et seq.* Unless otherwise stated, all citations to the Copyright Act refer to the 1909 Act.

[4] 15 U.S.C. § 1125(a).

[5] 15 U.S.C. §§ 1 *et seq.*

(3) the state claims must be dismissed because the district court declined to exercise pendent jurisdiction.

It is our conclusion that the granting of summary judgment for the Bishop was error.

I

F.E.L.'s copyright claim was dismissed on two grounds: copyright misuse and a Sherman Act violation. These two issues will be considered separately.

A.

Does the ACL license not-for-profit performances?

The exclusive rights of a copyright holder include the right to print, publish, and copy a copyrighted work. Also protected is the right to perform a work publicly for profit. 17 U.S.C. § 1. A copyright holder cannot prevent a not-for-profit performance of his work nor can he exact a fee for such performance. 17 U.S.C. § 1(e); *Associated Music Publishers, Inc. v. Debs Memorial Radio Fund, Inc.*, 141 F.2d 852, 854 (2d Cir.), *cert. denied*, 323 U.S. 766 (1944). More specifically, the singing of a hymn at a religious service is a not-for-profit performance and F.E.L. cannot prevent congregations from performing any of its copyrighted works at a service. Nevertheless, F.E.L. can prevent churches from copying or publishing its copyrighted works, even if the churches only intend to use the copies or publications at not-for-profit religious services. If a church distributes copies of a copyrighted song to its members, this amounts to a publication of that work and can only be done with the permission of the copyright owner. *See Macmillan v. King*, 223 F.2d 862, 867 (D.C. D.Mass. 1914); *Tiffany Productions, Inc. v. Dewing*, 50 F.2d 911, 914 (D.C. D.Md. 1931); *F.E.L. Publications, Ltd. v. Catholic Bishop of Chicago*, 199 U.S.P.Q. 85 (N.D. Ill. 1978). The right to perform music at not-for-profit religious services contemplates that the musical work is performed from memory or from legal copies. Neither the religious ele-

ment[4] nor the non-profit element of a performance will protect illegal copying or publishing. *Wihtol v. Crow*, 309 F.2d 777 (8th Cir. 1962); *F.E.L. Publications, Ltd. v. Catholic Bishop of Chicago, supra*, 199 U.S.P.Q. at 85.

Our resolution of this particular issue requires an examination of the ACL to determine whether it licenses performances or copying and publishing. The pertinent sections of the ACL are:

> 4. PERFORMANCE RIGHTS. F.E.L. grants to USER the right to perform the music and/or text at not-for-profit performances for purposes of worship and/or classroom use (including related C.C.D., Christian Education, and Sunday School classes) at USER's premises identified below at Article 18. All public performances for profit are to be cleared through F.E.L.'s performance rights organization: A.S.C.A.P., One Lincoln Plaza, New York, N.Y. 10023.
>
> 5. MINISTRY EXCEPTION. USER agrees to confine use of the copies to USER's premises as identified below at Article 18, with the occasional exception of homes, lecture rooms, and other places where the agent of USER might need copies in the performance of the agent's ministry, music, or teaching profession in the service of USER. This exception is not intended to be a "free continuing" License for places the agent of USER might visit (other churches, retreat houses, and schools not on contiguous premises) but is designed only for the convenience of the agent of USER at times when the agent is present in the service of USER on premises other than those identified below at Article 18. This is not a License for a group of churches, for a diocese, for conventions, for national, international, or other territorial organizations, etc., but only for a specific church, and/or school, or institution, or local chapter of an organization.
>
> * * *

[4] *See* 17 U.S.C. § 104.

8. EXPIRATION. Upon the expiration of this License, and its nonrenewal, all rights granted herein shall cease and terminate. If this License is not renewed, then USER agrees to destroy all copies licensed herein and to notify F.E.L. with a signed letter within 10 days after the expiration of this License specifying that copies were destroyed.

* * *

14. COPIES MAY NOT BE SOLD. USER agrees not to sell the copies. Separate charges and licenses are required to permit copies to be sold to the congregation or others when allowed by F.E.L. USER further agrees not to sell, lend, or otherwise dispose of the copies to any church, school, entity, or person other than those persons in the service of USER (agents) necessary to permit USER to carry out the uses licensed herein. This is not a license for publishers, businesses, or not-for-profit organizations who wish to sell products including F.E.L. copyrighted music and/or texts, even at nominal charges.

15. SONGS MAY NOT BE RECORDED OR TAPED. USER agrees not to record, tape, or use as soundtracks for film-strips or motion pictures, or sound reproduce in any manner the music and/or texts licensed herein. Separate charges and licenses are required.

The district court determined that copies produced under the ACL could only be used in not-for-profit performances and, therefore, the ACL extended F.E.L.'s copyrights over exempt performances. In reaching this conclusion, the court found clause 4 (which purportedly grants the user the right to perform the music at not-for-profit services), clause 8 (which requires copies to be destroyed after the expiration of the license), and clauses 5, 14, and 15 (which limit the use of the copies to church property and religious services with a few exceptions) offensive to the copyright laws. Although we agree with the trial judge that the ACL limits the use of F.E.L. songs to not-for-profit performances, we disagree on the legal consequences of this fact.

The right of churches to perform a musical work at a not-for-profit service only includes the right to perform the work from memory or from legitimate copies of the work. The ACL in no way affects or impairs this right. To the contrary, it enhances this right by allowing churches another method of publishing a work, *i.e.*, the privilege of producing their own copies for use in custom-made hymnals. Although the ACL licenses the use of copies at not-for-profit services, it does not license the performance itself. F.E.L. has every right to exact a fee for the distribution (publication) of its works. If a music publisher were not allowed to protect his copyrights at the point of distribution, he might not be able to protect them at all.

The right of an author in his intellectual product resembles any other personal property right. It may be sold outright in its entirety or a limited interest may be assigned. The various rights which compose a copyright may be split up and sold to different entities. Sales may be absolute or conditional and they may be with or without qualifications and restrictions. The only limitations on these extensive rights are those encompassed in the copyright laws or other laws of the United States, *e.g.*, antitrust laws, *see* B, *infra*.

Since a copyright holder has the right to protect anyone from copying his music, he assuredly can limit the right to copy or distribute music to one-year renewable periods. Further, the Copyright Act does not limit a copyright owner's ability to restrict the use of copies to a specific location or for a specific purpose.

The Bishop argues that the ACL exacts a legitimate fee in the first year for copying; in subsequent years, the license must be renewed or the copies must be destroyed, and the copies having already been made, the subsequent annual fees can only be for the right to perform.

The argument fails to recognize that the ACL grants not merely the right to copy, but the right to continue to use the copies by distributing (publishing) the copies to the congregation during church services. If F.E.L. sold

copies outright to the churches, it could not exact a fee in subsequent years nor exercise any control over the copies such as requiring copies to be destroyed.[7] But the ACL is not an outright sale of copies; it is a one-year renewable license, and its restrictions are well within the rights afforded a copyright owner by the Copyright Act of 1909. Thus clause 8 of the ACL does not render the license illegal.

Neither does a reading of clause 4 change our conclusion that the ACL licenses copying and publishing. If a contract grants a right already given by statute, no harm is done unless a fee is exacted. Clause 1 of the ACL clearly states that the consideration of $100 is for the right to make copies in any form. Clause 4 serves the purpose of informing the user that copies can only be used at not-for-profit services at a specific location.[8]

---

[7] *See* 17 U.S.C. § 27; *Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F.2d 847 (2d Cir. 1963).

[8] F.E.L. contends that section 104 of the 1909 Copyright Act does not exempt performances by church congregations and there is some doubt as to whether these performances are indeed exempt under the Act. Thus, clause 4 of the ACL was inserted to inform parishes that they did have the right to perform music at masses. Section 104 provides in part:

> That nothing in this title shall be so construed as to prevent the performance of religious or secular works such as oratories, cantatas, masses, or octavo choruses by public schools, church choirs, or vocal societies, rented, borrowed, or obtained from some public library, public school, church choir, school choir, or vocal society, provided the performance is given for charitable or educational purposes and not for profit.

Despite the fact that church congregations are not exempted by section 104, not-for-profit performances at masses are clearly exempt under section 1(e). This does not render section 104 superfluous. This section probably refers to those situations where, for example, a church choir charges a fee for a performance and donates the proceeds to a charitable cause. Any contention that performances by congregations might not be exempted does not stand up in the face of this analysis. Regardless, we do not believe that F.E.L. needs any excuse for clause 4 because no fee was enacted by the ACL for the right to perform.

Though the clause could have been drafted more carefully to reflect the fact that the right of not-for-profit performances is given by law, we still do not believe that the ACL, read as a whole, exacts a fee for exempt performances.[9]

B.

Is the ACL illegal under the Sherman Act?

In deciding that the ACL was a per se violation of the Sherman Act, the district court branded the ACL as a "tying contract": In order to get F.E.L.'s most popular songs, a church must buy inferior songs as well. The district court analogized this case to the facts of *United States v. Paramount Pictures*, 334 U.S. 131 (1948). In *Paramount*, movie theatres were forced to accept li-

[9] Clause 6 of the ACL requires users to include composer and music copyright acknowledgments even where the words alone are copied. Conceivably, this could result in a situation where a copyright notice for the music is printed and the words are in the public domain (some of F.E.L.'s songs contain words which are in the public domain). The district court believed that this was further evidence of F.E.L.'s attempt to license not-for-profit performances. We have already determined that the ACL does not license exempt performances and this clause does not persuade us otherwise. However, it is copyright misuse to exact a fee for the use of a musical work which is already in the public domain. *Mercoid Corp. v. Mid-Continent Investment Co.*, 320 U.S. 661 (1944). The question in this case is whether F.E.L. has extended its copyright beyond the strict boundaries of the conferring statute. *Id.* at 665. The ACL charges a flat fee regardless of what is actually copied; there is no evidence that F.E.L. exacted a fee for words in the public domain. While F.E.L. could not legally compel parishes to put a copyright for musical notes on words in the public domain, this is not a sufficient basis for a finding of copyright misuse. Even if this were misuse, it would not require dismissal of the copyright claim in the instant case in light of the Bishop's infringements of F.E.L.'s copyrights. Dismissal of a copyright claim for misuse is an equitable defense which requires a balancing of equities. We think that in this case, the scales are tipped in F.E.L.'s favor.

censes for inferior films (tied product) in order to obtain licenses for popular films (tying product). The Supreme Court held that this form of conditional marketing was illegal per se under the Sherman Act. In the instant case, the ACL can license one song but the licensee must pay for the right to copy all 1,400 songs regardless of how many are actually copies. Despite this, we do not believe that the ACL is a tying contract; rather, we think that the ACL is more appropriately analyzed as a blanket license under the precedent established in *Broadcast Music, Inc. v. Columbia Broadcast System, Inc.*, 441 U.S. 1 (1979). In *Broadcast Music*, the Supreme Court scrutinized a license so similar to the ACL we fail to see how the instant case can be distinguished.

The ACL is a blanket license; for a fixed fee, it gives the licensee the right to copy any or all of F.E.L.'s songs, in any quantity, for a one-year period. *Broadcast Music* involved two blanket licenses for musical performance rights; for two separate fees, a television network was granted the right to perform any or all of the compositions in the repertory of two copyright clearing houses, for a one-year period. The two clearing houses between them held virtually every domestic copyrighted composition in their repertories. In a per se analysis, the legality of a blanket license depends on whether the effects of the license "almost always tend to restrict competition and decrease output . . . or instead . . . render markets more . . . competitive.[10] We have examined the ACL, its history, and the market it operates in. This examination leads us to the conclusion that the ACL has many pro-competitive, redeeming features which prevent us from presuming it illegal without further inquiry. *Northern Pac. RR v. United States*, 356 U.S. 1, 5 (1958).

These redeeming features are similar to those identified by the Supreme Court in *Broadcast Music*. The ACL is a reasonable and flexible tool for dealing with

---

[10] *Broadcast Music, Inc. v. Columbia Broadcasting System, Inc., supra*, 441 U.S. at 20.

the unique problems associated with the Roman Catholic liturgical music market.[11] It gives copyright holders protection and compensation and it allows individual parishes to produce custom-made hymnals at a reasonable cost. "[W]e would not expect that any market arrangements reasonably necessary to effectuate the [copy]-rights that are granted would be deemed a per se violation of the Sherman Act."[12] The ACL was not developed in a vacuum; it grew out of a history of copyright infringements and was designed to protect musical copyrights in a market where infringement is not easy to detect and harder to prevent.

Moreover, the ACL is not simply a protective device. Much like the blanket licenses in *Broadcast Music*, the ACL affords efficiencies. Individual sales transactions would be more expensive and would require individual monitoring; the ACL obviates the need for oversight of each individual customer. A blanket license is a "necessary consequence of the integration necessary to achieve these efficiencies, and a necessary consequence of an aggregate license is that its price must be established."[13]

Broadcast Music also supports our conclusion that the ACL is not a tying contract. The ACL is not a combination of individual song licenses; it is a unique product

---

[11] The Sherman Act has always been discriminatingly applied in the light of economic realities. *Broadcast Music*, 441 U.S. at 14, *citing* Amicus Curiae on Petition for Certiorari in *K-91, Inc. v. Gershwin*, O.T. 1967, No. 147, p. 10. A musical copyright is worthless unless an owner has a means of enforcing the legal rights guaranteed by the Act. One means of protecting these rights is a license such as the ACL. The ACL takes into account the great number of churches across the land, the sheer volume of copyrighted compositions, the impracticability of negotiating individual licenses and the ephemeral nature of a publication by a church (*i.e.*, distribution of songs to the congregation). The ACL also sufficiently provides for the needs and desires of churches to produce custom-made hymnals.

[12] *Broadcast Music, Inc., supra*, 441 U.S. at 19.

[13] *Id.* at 21.

"composed of the individual compositions plus the aggregating service."[14] Here, "the whole is truly greater than the sum of its parts . . . ." *Broadcast Music, Inc. v. Columbia Broadcasting System, Inc.*, 441 U.S. at 21-22. "[The ACL] allows the licensee immediate use of covered compositions without the delay of prior individual negotiations and great flexibility in the choice of musical material." *Id.* Because the ACL is a singular commodity—musical compositions—there can be no tied or tying products.

The district court reached the opposite conclusion but at no point in the record are the tying and tied products identified. The district court refers to twenty-five or thirty popular songs which are the most desired and concludes that a purchaser must buy all 1,400 songs included on the Master Title Index in order to obtain the popular songs. Establishing the existence of a tying contract requires more than a bald assertion that some songs are more popular than others. In any event, given the substantial similarity between this case and *Broadcast Music*, there can be little doubt that the ACL is not a per se violation of the Sherman Act.[15] The ACL

[14] The ACL may be compared to a songbook or hymnal where all the songs are sold together even though some are more popular than others. A publisher selling a hymnal is not guilty of violating the antitrust laws because he does not offer for sale each song separately. A contrary holding would not only be uneconomical and inconvenient but would reduce the availability of copyrighted works.

[15] Though not crucial to the holding in *Broadcast Music*, the Supreme Court did note that there were no "legal, practical or conspiratorial impediments to . . . obtaining individual licenses." 441 U.S. at 24. The licensor held non-exclusive rights in the copyrighted songs and nothing prevented a television network from dealing directly with the copyright owners. In the instant case, the district court concluded that because F.E.L. owned all the copyrights to its 1,400 song inventory (unlike *Broadcast Music*), there was no alternative to the ACL which allowed churches to produce custom-made hymnals and that this was a per se violation of the Sherman Act. We do not agree with this reasoning. Even if *Broadcast*

(Footnote continued on following page)

demands a more discriminating examination under the rule of reason.

Although the district court did not evaluate the ACL under the rule of reason, we think this issue is ripe for review. Both parties have urged that this case is appropriate for summary judgment. We agree. Whether the alternatives to F.E.L.'s ACL satisfy the antitrust laws has become purely a legal determination. The contractual obligations, prices, and other important characteristics of these alternatives is fully disclosed by the record. Since we are convinced that a trial on this issue would add nothing significant to the record, we see no reason to remand the issue for reconsideration.

Under the rule of reason, an agreement is an unreasonable restraint of trade if its anti-competitive effects outweigh its pro-competitive effects. *National Society of Professional Engineers v. United States*, 435 U.S. 679 (1978). In our case, the balancing of pro- and anti-competitive effects need not be undertaken because we find that the ACL has no anti-competitive effect. In *Broadcast Music, on remand*, 620 F.2d 930 (2d Cir. 1980), the Second Circuit determined that in a blanket license, such as the ACL, there is no price competition between the separate musical compositions included in the ACL.

> The absence of price competition among songs, however, does not mean that the blanket license is a restraint upon any potential competition. For price competition to exist there must be at least one buyer interested in purchasing a product from two or more sellers.
>
> * * *

---

[15] *continued*
Music mandated alternatives, the record in this case discloses available alternatives to the ACL which allow the purchase or copying of individual songs. These alternatives do not allow parishes to produce custom-made hymnals, but this does not render the ACL illegal per se. If the district court's conclusions are accepted, this would make the mere offering of a blanket license a per se violation of the Sherman Act and this is contrary to the result reached in *Broadcast Music*.

> If the opportunity to purchase performing rights to to individual songs is fully available, then it is customer preference for the blanket license, and not the license itself, that causes the lack of price competition among songs. Of course, even customer preference cannot save some practices from illegality under the antitrust law. If competing sellers fix the prices of their products, they violate § 1 no matter how much a buyer may prefer accepting their fixed price to negotiating with each for a lower price. But a practice that is not a per se violation, and this blanket license has authoritatively been found not to be such, does not restrain trade when the complaining customer elects to use it in preference to realistically available marketing alternatives.

Id. at 935. In other words, the ACL does not restrain trade or have anti-competitive effects if an alternative opportunity to acquire rights to individual songs is fully available. *Id.* at 936. Having examined the various methods of acquiring individual F.E.L. songs, we conclude that these methods are realistically available marketing alternatives.

If a church desires to make copies of a single F.E.L. song for use at a worship service, it can do so under the one-time use license. If permanent copies are desired, a church can purchase songbooks, songcards, or sheet music. The Bishop maintains correctly that the ACL is the only license offered by F.E.L. which allows parishes to include F.E.L. songs in custom-made hymnals. This fact alone does not make F.E.L.'s ACL unreasonable. A copyright owner is not required to market its copyrights in a form most convenient to its customers. Neither the copyright laws nor the antitrust laws guarantee churches the right to produce custom-made hymnals; a copyright owner can sell sheet music only if he so desires. We cannot overlook F.E.L.'s alternative marketing practices simply because they do not allow custom-made hymnals, and neither the expense nor the inconvenience of these alternatives makes them unreasonable. *See Broadcast Music*, 620 F.2d at 937. Although inconvenience or expense may in some cases be barriers to the availabil-

ity of alternatives, in this case we believe these factors are not so obstructive that they constitute legal impediments to F.E.L.'s alternatives.

The Bishop contends that we cannot consider F.E.L.'s songbooks or sheet music as alternatives to the ACL because they are not copy licenses. In other words, the relevant market which we must examine is the copy licensing market, not the entire music publishing market. Though we are not convinced that the Bishop's argument is correct,[16] the one-time use license standing on its own is an acceptable alternative. It is a copy license which allows individual songs to be copied and used at not-for-profit services; and its price is quite reasonable.

The availability of alternative means of acquiring individual F.E.L. songs removes the potential for coercion (in the form of price fixing) from the ACL. The ACL has no anti-competitive effects. Therefore, there is no question of fact, yet unresolved, as to whether the pro-competitive effects are outweighed by the anti-competitive effects. We conclude as a matter of law that the ACL is not a violation of the antitrust laws.[17]

---

[16] If we limit the relevant market to copy licenses or perhaps even copy licenses which allow for permanent custom-made hymnals, we could conceivably limit the availability of liturgical music. By eliminating a publisher's alternative-marketing devices from consideration under the antitrust laws, we force the license at issue to stand alone as a competitive or anti-competitive agreement. Given this result, a publisher may choose to withdraw a copy license altogether, rather than increase the number of alternative copy licenses. This result is not mandated by the Sherman Act and is certainly not the best way to "promote the progress of the useful art." United States Constitution, Art. I § 8.

[17] It is conceivable that the ACL would not violate the Sherman Act even without a realistic alternative marketing mechanism. *See Broadcast Music, Inc. v. Moor-Law, Inc.*, 50 U.S.L.W. 2370 (Nov. 24, 1981) (No. 1043 ATRR A-13).

II

Count 23 of F.E.L.'s complaint alleged a violation of section 34(a) of the Lanham Act.[18] F.E.L. claimed that the "homemade" hymnals collected from the Bishop's parishes contained F.E.L. songs which did not have a copyright notice, any acknowledgment of author or composer, the name of the copyright owner, or any indication of reprint permission. F.E.L. contends that by applying the name of the parish and omitting F.E.L.'s name from the hymnals, the Bishop has falsely identified himself or his parishes as the source or owner of the songs. Section 43(a) of the Lanham Act provides that:

> Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation or origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which the locality is situated, or by any person who believes that he is or is likely to be damaged by the use of such false description or representation.

The district court dismissed Count 23, stating that the Bishop had not used any false designation of origin and, in any event, the hymnals had not entered into commerce as required by the statute. The ultimate test of a claim under the Lanham Act is whether there is a likelihood of confusion, deception, or mistake on the part of

---

[18] 15 U.S.C. § 1125(a).

the consuming public.[19] Whether in fact the consumers of the "homemade" hymnals are confused as to the origin of the songs contained therein is a question of fact which has not been resolved in the instant case. Section 43(a) of the Lanham Act is a remedial statute that must be broadly construed. By printing its own name on the hymnals and excluding F.E.L.'s, the parishes have used a false designation of origin if the users of the hymnals are confused as to the origin of the songs. A resolution of this issue is not appropriate for summary judgment on the basis of the record as presented. Further, the allegations set out by F.E.L. in Count 23 do satisfy the jurisdictional element of interstate commerce in section 1125. Whether or not the "homemade" hymnals leave the State of Illinois is not important if they have a substantial effect on interstate commerce. *Maier Brewing Co. v. Fleischman Distilling Corp.*, 390 F.2d 117, 120 (9th Cir. 1968). A false designation of origin on custom-made hymnals could have an impact on interstate sales of legitimate copies of copyrighted music. It was error for the district court to dismiss count 23 of F.E.L.'s complaint.

III

Counts 22 and 24 of F.E.L.'s complaint invoked the pendent jurisdiction of the district court for their adjudication. When the other F.E.L. counts were dismissed, the district court in its discretion refused to exercise jurisdiction over the State claims. We have determined that the granting of the Bishop's motion for summary judgment on the copyright claims was incorrect as was the dismissal of Count 23. The issue of pend-

---

[19] *See James Burrough, Ltd. v. Sign of the Beefeater, Inc.*, 540 F.2d 266, 274 (7th Cir. 1976) (trademark infringement under the Lanham Act is found when evidence indicates confusion on the part of the public); *Boston Professional Hockey Assoc., Inc. v. Dallas Cap & Emblem Mfg. Co.*, 510 F.2d 1004, 1010 (5th Cir.), *cert. denied*, 423 U.S. 868 (1975) (generally, the same facts which support an action for trademark infringement support an action for unfair competition).

ent jurisdiction is now appropriate for reconsideration by the district court.

IV

The order of the district court is reversed and this case is remanded to the district court for proceedings consistent with this opinion.[20] Circuit Rule 18 shall apply.

A true Copy:

Teste:

Clerk of the United States Court of Appeals for the Seventh Circuit

---

[20] F.E.L. filed a motion to supplement the record in this court with a document entitled "FDLC Update of Music Publishers' Reprint Permissions Policies" (the "FDLC Update"). The district court denied this motion on April 17, 1981. On May 29 this court granted the motion to supplement. The Bishop did not receive notice of F.E.L.'s motion to supplement the record and, upon receipt of this court's order, moved to vacate it and deny the motion on June 4, 1981. On June 16 this court ordered that the motion to vacate be referred to the panel to be taken with the case at the time of oral argument.

The FDLC Update was not before the district court when it ruled on defendant's motion for summary judgment. Rule 10(e), Federal Rules of Appellate Procedure, "does not give this court authority to admit on appeal any document which was not made a part of the record in the District Court." *Borden, Inc. v. FTC*, 495 F.2d 785, 788 (7th Cir. 1974). The Bishop's "Motion to Vacate Order Granting [F.E.L.'s] Motion to Supplement the Record on Appeal" is granted.

USCA 5730—Midwest Law Printing Co., Inc., Chicago—3-25-82—400

IN THE UNITED STATES DISTRICT COURT

For the Northern District of Illinois

Eastern Division

F.E.L. PUBLICATIONS, LTD.,
a corporation,
Plaintiff,

vs.

CATHOLIC BISHOP OF CHICAGO,
a corporation,
Defendant,

No. 76 C 3471

Before the Honorable
George N. Leighton,
United States District Judge

Memorandum

I

The plaintiff, F.E.L. Publications, Ltd., allegedly owns 21 copyrights to liturgical hymnals and songbooks, each containing large amounts of materials said to be wholly original either with plaintiff or its assignor, one Dennis Fitzpatrick. In a second amended and supplemental complaint, it alleges in 21 counts that defendant, the Catholic Bishop of Chicago, himself or his agents and employees, have infringed these copyrights "by publishing, distributing and/or selling in this district songbooks including songs which were copied largely from plaintiff's aforesaid copyrighted work, and/or by allowing others to publish, distribute and sell songbooks on property owned, controlled, and supervised by the Catholic Bishop [sic]."[1] Then, in three additional counts plaintiff invokes the pendent jurisdiction of this court and makes claims which in substance are based on the laws of Illinois.

[1] The Catholic Bishop of Chicago is the juridical entity for the Roman Catholic Archdiocese of Chicago. He is a corporation sole under a special act of the Illinois legislature, *Private Laws of Illinois*, 22nd General Assembly, p. 78 (1861). He is also a natural person; and for this reason, in this memorandum he will be referred to as such by personal pronouns.

Defendant has answered, denied all material allegations of the complaint; and has pled 19 affirmative defenses, two of which, the 8th and 11th, assert the claim that plaintiff has misused its copyright monopoly. The historical and material facts which give rise to the controversy between the parties, including the defense of copyright misuse, are not in dispute.

II

In December 1961, Pope John XXIII convoked the Second Vatican Council. Such councils function to formulate law, practice, and doctrine for the Roman Catholic Church. The purpose of the council was to make those church observances which are open to changes more responsive to the requirements of modern times.

In late 1963, Second Vatican promulgated the *Sacred Constitution on the Liturgy*. Liturgy is the body of rites prescribed for public worship in the Roman Catholic Church. The *Sacred Constitution* changed Catholic liturgy in two respects. First, it provided that religious services may be conducted in the vernacular. Prior to this, Roman Catholic religious services were conducted in Latin. Second, it compelled encouragement of active participation by the congregation in the religious service. In this country and in others, this allowed a congregation to sing Psalms and hymns during the mass, in English. Prior to Second Vatican, Roman Catholic religious services were conducted almost exclusively by the priest, and if songs were sung at all, this was done only by the choir, and in Latin. The changes made by Second Vatican caused a period of adjustment within the parishes of all American archdioceses.

The *Sacred Constitution* also encouraged development of liturgical music in the vernacular, citing the need to provide an opportunity for the entire assembly of the faithful to actively participate. From this need a new market arose, a market for

Catholic liturgy music in the English language. The Church, in an effort to maintain its independent identity, did not consider existing English hymns of the Protestant reform appropriate for use in Catholic religious activities.

Pursuant to the dictates of Second Vatican, administrative co-ordinating commissions were created to implement the new reforms. An example of this is the Liturgy Commission of the Archdiocese of Chicago. Founded in 1964, its role was to keep abreast of developments in liturgy and communicate them to the parishes. Currently this function is served by the Liturgy Advisory Board, which advises the Director of the Office of Divine Worship and the Cardinal of the Archdiocese on the liturgical needs and concerns of the parishes.

The Liturgy Commission of the Archdiocese of Chicago determined that liturgy teams should be formed in the parishes to implement Second Vatican reforms. These teams typically included the parish priest and representatives of the laity. Before Second Vatican, the priest was the sole minister at a service of the Catholic Church. After Second Vatican reforms, other members of the congregation actively participated in the administration of communion and were allowed in the sanctuary during mass. The form of religious services was changed in order to expand the participation from the traditional roles of priest and choir, to include all those present. The effort was to allow the congregation to celebrate the mass, and in its own language.

These developments led to a search by Catholic parishes for music and prayer which conveyed the message of the Church in contemporary terms. Plaintiff, formerly known as Church Publications, Ltd., is one among many companies which began publishing English language hymnals suitable for this use. Its founder, composer, and president, Dennis J. Fitzpatrick, entered this business with *Hymnal for Young*

Christians in 1966. Subsequently, he obtained copyrights to several other works, some the subject of this suit, which he assigned to the plaintiff.

All of plaintiff's hymnals and songbooks concerning which it brings this suit are compilations or collective works. A number of them contain the substance of Catholic liturgy that were originally composed during the early years of the Roman Catholic Church. Some of the songs have an origin that has been lost in antiquity. Included in the hymnals are traditional historical religious songs which have long been in the public domain, some of which have been set to a different melody by a large number of composers who, plaintiff alleges, were its employees. Those works which are in the public domain are grouped with original works by plaintiff's authors and composers and for which no royalties from licensing revenues are paid. The materials in the public domain included in plaintiff's copyrighted works are distinguished in its accounting books by the notation "P.D." Many of the songs included in plaintiff's hymnals and songbooks are themselves not protected by any copyright. The right to use songs composed by other authors is obtained by plaintiff through exclusive assignment to it of the right to license their use in return for payment of royalty, and by exclusive assignment to it of copyrights obtained by other authors and composers, again with the right to license use of the copyrighted works.

Prior to 1972, plaintiff occasionally authorized Catholic parishes, religious organizations, and publishers to copy its music at two cents per copy, per song. In November of that year, it initiated a new marketing procedure which it called an "Annual Copy License", hereafter referred to as ACL. This marketing technique was in response to plaintiff's heightened awareness of unauthorized copying of its musical works. At the time it announced the ACL, plaintiff offered three methods by which a customer could obtain the benefit of its copyrighted works.

One allowed the prospective purchaser to accept the provisions in its ACL and pay $100 per year for the "right to make unlimited numbers of copies from F.E.L.'s printed page or from user's own original master copy." The right was to terminate one year after the ACL was purchased. Further, the purchaser was granted "the right to perform the music and/or text at not-for-profit performances for purpose of worship and/or classroom use [sic]."

The second was a "[o]ne time usage plan" which, for 2¢ per copy per song, with a minimum charge of $10, allowed the customer to purchase the right to use any song of his choice. After the one use, at a wedding or funeral, the copies had to be destroyed.

The third and last allowed the customer to buy copies of plaintiff's hymnals and songbooks, regardless of whether the customer desired permanent copies of all or only a few selections.

The terms of the ACL incorporated a master title index that listed the 1400 songs owned by plaintiff, together with the names of the composers. The church that wanted to use one of plaintiff's listed songs could not deal directly with any of the authors or composers whose musical works or copyrights had been exclusively assigned to the plaintiff. The ACL as a type of marketing was not, and still is not employed by any other publisher of religious music in this country; plaintiff acknowledges that this marketing method was a pioneering effort in the field of religious music licensing. Its ACL differs from traditional marketing of music in that it does not distinguish between songs, but charges a lump sum for which the licensee receives copying and use rights to all of plaintiff's 1400 available compositions, even though the purchaser may desire to use only a few of the more popular songs. It also differs from usual marketing practices in that it relies heavily on the licensee to patrol his own use. On the anniversary of the license, the customer has to destroy all copies he has made of the virtually unlimited number allowed, unless he decides to pay plaintiff

another $100 for an additional year of the ACL. The effect is that the copies are the property of the buyer only as long as he is able, or allowed, to continue buying the right annually. Plaintiff has sought to enforce its ACL, allowing past violators to redeem themselves by remitting a proportionate monthly fee multiplied by the duration of the claimed infraction.

Defendant's archdiocese contains 447 parishes. Of these, between 22 and 30 had purchased plaintiff's ACL at the time the complaint in this case was filed. Nine had paid plaintiff for prior copying releases; and in 149 there had never been any copying of plaintiff's songs or music. In 122 of them, if there had been any copying, this had occurred more than three years before plaintiff filed its suit in this case, but home-made hymnals had been distributed at masses and church services after 1973. There were insertions in these hymnals of some of the more popular of plaintiff's copyrighted songs in the other of defendant's parishes. The copying was apparently done by priests and laymen of these parishes. All of the copying, and their use by distribution to parishioners, were only for the purpose of enabling members of the congregation to participate by singing in a Catholic mass, a not-for-profit religious service. No sale was ever made of any of plaintiff's copied songbooks or musical works.[2]

---

[2] In each of the 21 counts of its second amended and supplemental complaint, plaintiff alleges that there were sales of "songbooks . . . copied largely from [its] aforesaid copyrighted work." However, defendant has supported his motion for summary judgment with affidavits which show that despite one instance of a mimeographed book containing a price tag of $5, no sale has ever been made of a songbook copied from plaintiff's copyrighted works. Plaintiff does not contradict these affidavits; therefore, plaintiff relies only on its allegations concerning sales.

It is well established that an adverse party may not rest on the allegations of his pleadings when a motion for summary judgment is made. *Macklin v. Butler*, 553 F.2d 525 (7th Cir. 1977); *cf. Weit v. Continental Illinois Nat. Bank and Trust Co. of Chicago*, 467 F. Supp. 197 (N.D. Ill. 1978); Fed. R. Civ. P. 56(e). Accordingly, this court concludes that neither defendant nor any of his agents or employees have ever sold a songbook copied from plaintiff's copyrighted works.

III

Based on these facts, supported by affidavits, excerpts from depositions, and exhibits, defendant has moved for summary judgment on his affirmative defenses that plaintiff has misused its copyright monopoly, comes to this court with unclean hands, and is thus not entitled to any relief on its claim of copyright infringement. Defendant argues that the Copyright Act of 1909 did not give plaintiff the right to license the not-for-profit singing of hymns at a mass or other religious service; and in imposing on Catholic parishes its ACL, plaintiff has misused its alleged statutory monopoly on the right to copy by compelling churches to pay for not-for-profit performances which involve the singing of religious songs. Further, defendant contends that plaintiff's ACL policy misuses its copyright monopoly by tying the purchase of all its religious compositions (its least popular ones), to its most popular or "blockbuster" songs.

Plaintiff opposes defendant's motion for summary judgment, arguing that it asserts only a broad, vague defense of copyright misuse; and that defendant's theories merely express his dislike for the way plaintiff does business but do not provide a defense to copyright infringement. As to the theory that plaintiff has illegally extended its copyrights by licensing not-for-profit performances of songs at religious services, plaintiff contends this is not relevant and thus need not be considered because the claim of infringement by performance has not been asserted in this case. Against defendant's theory that the ACL is an illegal tying arrangement in violation of the antitrust laws, plaintiff argues that this contention has been considered and rejected in the context of blanket copyright licenses in *Columbia Broadcasting System, Inc. v. American Soc. of Composers*, 400 F.Supp. 737 (S.D. N.Y. 1975), *rev'd*, 562 F.2d 130 (2d Cir. 1977), *rev'd, Broadcast Music, Inc. v. Columbia Broadcasting System, Inc.*, 441 U.S. 1 (1979), *on remand, Columbia Broadcasting System, Inc. v. American Soc. of Composers, Authors*

and Publishers, 607 F.2d 543 (2d Cir. 1979) *and* 620 F.Supp. 930 (2d Cir. 1980).

Thus the issue presented is whether plaintiff's ACL is a misuse of its copyright monopoly to hymnals and musical works described in this lawsuit and bars it from recovery for the copyright infringement alleged. Resolution of this issue requires this court to determine (1) whether plaintiff's ACL was a means by which it sought to license the not-for-profit performance of religious songs for worship, and an unlawful extension of plaintiff's copyright monopoly; and (2) whether plaintiff's ACL is a tying contract *per se* illegal under the Sherman Act.

IV

A. Is plaintiff's ACL a means by which it sought to license the not-for-profit performance of religious songs for worship and thus an unlawful extension of its copyright monopoly?

In November 1972 when plaintiff's ACL policy was announced, its founding composer and president, Dennis J. Fitzpatrick, knew, and as a consequence so did plaintiff, that there were people in Catholic parishes who made either Xeroxed or typewritten hymnals from songs in copyrighted hymnals, but only for the purpose of enabling a congregation to participate in the mass or other religious service. Of course, to the extent this was done to plaintiff's musical works, this could have been held to be copyright infringement under the Copyright Act of 1909.[3] *Wihtol v. Crow*, 309 F.2d 777 (8th Cir.

[3] In its second amended and supplemental complaint, plaintiff alleges that "[a]ll references to the Copyright laws refer to the 1909 Copyright Act in effect at the time this suit was filed, not to the 1976 Copyright Act which became effective on January 1, 1978." In its answer, defendant appears to agree with this view. In fact, plaintiff's position is supported by the cases. *See Walt Disney Productions v. Air Pirates*, 581 F.2d 751 (9th Cir. 1978) *cert. denied, O'Neill v. Walt Disney Productions*, 439 U.S. 1132 (1979); *cf. Davies v. Bowes*, 209 F. 53 (D.C. N.Y. 1913), *aff'd*, 219 F. 178 (2d Cir. 1914).

1962). As the market for Catholic liturgical music developed, Fitzpatrick also knew, as did plaintiff, that there was, for one reason or another, the copying from published musical works in American Catholic parishes. In fact, his November 1972 letter addressed to "Dear Worship Leader", and sent to Catholic churches throughout the country, discussed the general problem of hymnal copying and announced that "[f]or a one time annual payment of $98.76 [later raised to $100] you may copy in any form you choose, in any quantity you wish, with unlimited usage during the year, any music and/or text; in any arrangement, accompaniment or edition; printed, published and copyrighted by F.E.L. Publications, Ltd."

The license was intended to grant a "specific church and/or school, or institution, or local chapter of an organization, . . ." referred to as the "User", the right to copy any music or text copyrighted by the plaintiff. It defined the "additional rights of user" in Article 4 and provided that "User" could "perform the music and/or text at not-for-profit performances for purposes of worship. . . ." In Article 5, the license provided a ministry exception by which the "[u]ser agrees to confine use of the copies to users' premises. . ." identified as the church or other place of worship named on the license.

The provisions of the license were carefully drawn to preclude any sale of copies made by any music or text owned by the plaintiff. F.E.L. told its licensees that "[s]eparate charges and licenses are required to permit copies to be sold to the congregation or others when allowed by F.E.L." The user further agreed "not to sell, lend, or otherwise dispose of the copies to any church, school, entity, or person other than those persons in the service of users (agents) and necessary to permit user to carry out the uses licensed herein."

Fitzpatrick knew, and so did plaintiff, that Catholic parish priests and those who worked with them, did not engage in the business of copying songs into hymnals for the purpose of sales. Therefore, plaintiff is charged with the knowledge that the only

use to which copied hymnals are put in a Catholic parish is the singing from them by a congregation in a mass or other religious service, all not-for-profit performances.

The exclusive rights as to copyrighted works given a copyright owner by Section 1(e) of the Copyright Act of 1909 includes performance of "the copyright work publicly for profit if it be a musical composition; and for the purpose of public performance for profit, and for the purposes set forth in subsection (a) hereof, to make any arrangement or setting of it or of the melody of it in any system of notation or any form of record in which the thought of an author may be recorded and from which it be read or reproduced . . . ." Courts which have construed this section have uniformly held "that the monopoly given the copyright owner is only to perform his work 'for profit' ".[4] *Associated Music Publishers, Inc. v. Debs Memorial Radio Fund, Inc.*, 141 F.2d 852, 854 (2nd Cir. 1944), *cert. denied, Debs Memorial Radio Fund v. Associated Music Publishers*, 323 U.S. 766 (1944); *cf. Buck v. Hillsgrove Country Club, Inc.*, 17 F.Supp. 643 (D.C. R.I. 1937); *Gay v. Robbins Music Corporation*, 38 N.Y.S. 2d 337 (1942); and *see* Andur, *Copyright Law and Practice*, 405-406 (1956).

This, however, does not mean that money has to be collected at the door of the place where the copyrighted music is performed. In *Herbert v. Shanley Co.*, 242 U.S. 591 (1917), the Supreme Court had before it two cases in which copyrighted musical works were performed in a restaurant and a hotel dining room for the entertainment of patrons who did not pay to hear the music. The courts below had ruled that these performances did not infringe the copyrights. However, speaking for the court, Mr. Justice Holmes said, 242 U.S. 591 at 594-595:

---

[4] The purposes set forth in Subsection (a) of Section 1, Copyright Act of 1909, are to give any person complying with the copyright laws the exclusive right "[t]o print, reprint, publish, copy, and vend the copyrighted work." 17 U.S.C. § 1(a).

> "If the rights under the copyright are infringed only by a performance where money is taken at the door, they are very imperfectly protected. Performances not different in kind from those of the defendants could be given that might compete with and even destroy the success of the monopoly that the law intends the plaintiffs to have. It is enough to say that there is no need to construe the statute so narrowly. The defendants' performances are not eleemosynary. They are part of a total for which the public pays, and the fact that the price of the whole is attributed to a particular item which those present are expected to order is not important."

Therefore, it is not the payment of money that determines whether a performance is for profit; it is the nature of the performance. *Cf. Robert Stigwood Group, Ltd. v. O'Reilly*, 346 F.Supp. 376 (D.C. Conn. 1972), *rev'd*, 530 F.2d 1096 (2d Cir. 1976), *cert. denied, O'Reilly v. Robert Stigwood Group, Ltd.*, 429 U.S. 848 (1976). See Annot. 23 A.L.R.Fed. 974.

From this principle, it can be deduced that aside from the question whether the occasion is public, the singing of hymns in a Catholic mass or other religious service is a not-for-profit performance. *See Wihtol v. Crow*, 199 F.Supp. 682, 685 (S.D. Iowa 1961), *rev'd on other grounds* 309 F.2d 777 (8th Cir. 1962); *cf.* 17 U.S.C. § 104 *repealed by* P.L. 94-553, October 19, 1976. But the copyright monopoly which the owner of a copyright to a musical composition enjoys is only the right to exclude others from performing the composition "in public for profit...." 17 U.S.C. § 1(e). In other words, the copyright laws have always distinguished the performance of musical and nondramatic literary works for profit from those performances which are not-for-profit. Nimmer, in discussing the underlying rationale for this distinction, one that is found in the Copyright Act of 1909, tells us:

> "It was thought that to prohibit unlicensed nonprofit performances of musical and nondramatic literary works in such places as schools and churches would constitute an

undue restriction on the benefits which should be available to the public." 2 *Nimmer on Copyrights* § 8.15 [A] at 8-144 (1980).

In this case, the only use to which a licensee under plaintiff's ACL could put copied music was the "not-for-profit performances [of the musical works] for purposes of worship . . . ." This fact becomes clear when the Destruction Clause, Article 8 of the ACL is considered. It is there required that the "User . . . destroy all copies licensed herein and to notify F.E.L. . . . within ten days after the expiration of this license . . . that copies were destroyed." This being the case, the conclusion is inescapable that plaintiff's ACL is simply a means by which it licensed the not-for-profit religious performances of its copyrighted works; it is an extension of its copyright monopoly not authorized by the copyright laws. *See M. Witmark & Sons v. Jensen*, 80 F.Supp 843 (D. Minn. 1948), *app. dism'd, M. Witmark & Sons v. Berger Amusement Co.*, 177 F.2d 515 (8th Cir. 1949). A copyright owner, like a patentee, may not increase the scope of the monopoly afforded by the copyright through a license agreement with a licensee. *Krampe v. Ideal Industries, Inc.*, 347 F.Supp 1384, 1386 (N.D. Ill. 1972).

B. Is plaintiff's ACL a tying contract illegal per se under the Sherman Act?

Despite plaintiff's originality as a publisher of religious music, its ACL is a blanket license. *See Columbia Broadcasting System, Inc. v. American Society of Composers*, 400 F.Supp. 737, 743 (S.D. N.Y. 1975), *rev'd on other grounds* 562 F.2d 130 (2d Cir. 1977), *rev'd, Broadcast Music, Inc. v. Columbia Broadcasting System, Inc.*, 441 U.S. 1 (1979), *on remand, Columbia Broadcasting System, Inc. v. American Soc. of Composers, Authors and Publishers*, 607 F.2d 543 (2d Cir. 1979) *and* 620 F.Supp. 930 (2d Cir. 1980). A blanket license, as plaintiff insists, is not *per se* unlawful under the antitrust laws where it is granted by nonexclusive agents of copyright owners,

and an acceptable mechanism for at least a part of the market is available to those who want to purchase the right to perform copyrighted musical compositions. *Broadcast Music, Inc. v. Columbia Broadcasting System, Inc.*, 441 U.S. 1, ____, 99 S.Ct. 1551, 1564 (1979). Nor is such a license, under the law of reason, a violation of the antitrust laws in the absence of evidence that its existence restrains competition among owners of copyrights of musical selections. *Columbia Broadcasting System, Inc. v. American Society of Composers*, 620 F.2d 930, 939 (2d Cir. 1980). In *Columbia Broadcasting System, Inc. v. American Society of Composers*, 400 F.Supp. 737, 781 (S.D. N.Y. 1975) *rev'd on other grounds* 562 F.2d 130 (2d Cir. 1977), *rev'd, Broadcast Music, Inc. v. Columbia Broadcasting System, Inc.*, 441 U.S. 1 (1979), *on remand, Columbia Broadcasting System, Inc. v. American Soc. of Composers, Authors and Publishers*, 607 F.2d 543 (2d Cir. 1979) *and* 620 F.Supp. 930 (2d Cir. 1980), the district court held that the case before it involved a blanket license and was essentially one of tie-in or block booking which required proof of coercion to establish illegality under the antitrust laws; but issuance of a blanket license under provisions of consent decrees which allowed direct licensing from individual owners of copyrights saved the scheme from being coercive and, hence illegal.

Here, however, by obtaining assignments of the songs with the right, on behalf of the composers, to license their use for an annual fee, and by obtaining assignment of copyrights for the same purpose, plaintiff either absolutely controls or has ownership power over copyrights to hymnals, songbooks, and the 1400 religious songs listed in its master title index. A Catholic church or parish that wants to purchase the right to copy and use a song either in one of plaintiff's hymnals, songbooks, or those listed in its master title index, cannot deal directly with owners of the copyrighted works listed by plaintiff. In most instances, a church or parish does not desire permission to use all of plaintiff's listed songs; there is no interest in all of the songs in plaintiff's hymnals, songbooks, and listed in the master

index. The most desired are about 25 or 30 of the more popular or "blockbuster" songs. Yet, plaintiff's policy has always been "all or nothing"; the church or parish desiring to purchase the right to copy and use some of the listed songs has to pay for permission to use all of them. The songs are different; in many instances, the composers are different, yet purchase of the right to use the more popular has been tied by the plaintiff to the purchase of all, including the less popular.

It is now well known that a tying arrangement whereby a party agrees to sell one product but only on condition that the buyer also agrees to purchase a different or tied product is prohibited by the Sherman Act, and by the Clayton Act. *See Siegel v. Chicken Delight, Inc.*, 448 F.2d 43 (9th Cir. 1971), *cert. denied*, 405 U.S. 955 (1972); *cf. Tire Sales Corp. v. Cities Service Oil Co.*, 410 F.Supp. 1222, 1227 (N.D. Ill. 1976). In the field of copyrighted feature motion pictures, a subject matter analagous to the licensing of copyrighted music, the Supreme Court has held that block booking, that is, tying the sale of wanted motion picture films to a package containing one or more unwanted or inferior films, is a violation of the Sherman Act. *United States v. Loew's, Inc.*, 371 U.S. 38, 49 (1962). Earlier, in *United States v. Paramount Pictures*, 334 U.S. 131, 159 (1948), the Court in an opinion by Mr. Justice Douglas, held categorically that it was illegal under the Sherman Act for a licensor to refuse to license one or more copyrights unless another copyright is accepted. Said Mr. Justice Douglas, 131 U.S. at 158:

> Where a high quality film greatly desired is licensed only if an inferior one is taken, the latter borrows quality from the former and strengthens its monopoly by drawing on the other. The practice tends to equalize rather than differentiate the reward for the individual copyrights. Even when the films included in the package are of equal quality, the requirement that all be taken if one is desired increased the market for some. Each stands not on its own footing but in whole or in part on the appeal which another film may have.

This statement, made concerning different motion picture films, is equally applicable to the different copyrighted songs on plaintiff's master title index. The right to copy and perform the high quality, or so-called "blockbuster" songs on plaintiff's list which Catholic parishes and churches desired could be obtained by them only if the inferior ones were taken; thus the latter group of songs borrowed quality from the former and strengthened its monopoly by drawing on the other. This being so, it must be concluded that plaintiff's ACL involving copyrights is a tying contract which is illegal *per se* under the Sherman Act. *Cf. Alden-Rochelle, Inc. v. American Soc. of C., A. and P.*, 80 F.Supp. 888 (S.D. N.Y. 1948); see Annot., *Antitrust-Tying Arrangement*, 46 A.L.R. Fed. 516.

V

A copyright, like a patent, is a statutory grant of monopoly privileges. *Broadcast Music, Inc. v. Columbia Broadcasting System, Inc.*, 441 U.S. 1, ____, 99 S.Ct. 1551, 1567 (1979) (Stevens, J., dissenting; concurring on this point). Being a statutory grant, the rights are only such as the statute confers, and may be enjoyed only on the terms and conditions which it specifies. *See Loew's, Inc. v. Columbia Broadcasting System, Inc.*, 131 F.Supp. 165, 173 (S.D. Cal. 1955), *aff'd, Benny v. Loew's, Inc.*, 239 F.2d 532 (9th Cir. 1956), *aff'd, Columbia Broadcasting System, Inc. v. Loew's, Inc.*, 356 U.S. 43 (1958); 18 C.J.S. Copyright and Literary Property § 18. And as one eminent authority has pointed out, "The Copyright Act accords to each copyright owner a limited form of monopoly. An attempt to extend the scope of this monopoly will, under certain circumstances, result in violation of the antitrust laws. . . . Apart from the issue of antitrust violation . . . courts will on occasion invoke the equitable doctrine of unclean hands [a concept which includes copyright misuse] as a defense in a copyright infringement action . . . whether [it] is one of law or in equity."

3 *Nimmer on Copyrights* § 13.09[A][B]. The policy underlying the misuse doctrine is designed to prevent a patentee [and a copyright owner as well] from projecting the economic effect of his admittedly valid grant beyond the limits of his legal monopoly. *Panther Pumps & Equipment Co. v. Hydrocraft, Inc.*, 468 F.2d 225, 231 (7th Cir. 1972) *cert. denied, Hydrocraft, Inc. v. Panther Pumps & Equipment Co.*, 411 U.S. 965 (1973); *cf. M. Witmark & Sons v. Jensen*, 80 F.Supp 843 (D. Minn. 1948), *app. dism'd, M. Witmark & Sons v. Berger Amusement Co.*, 177 F.2d 515 (8th Cir. 1949); *United States v. United States Gypsum Company*, 124 F.Supp. 573, 594 (D.C. D.C. 1954); *see Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488, 493 (1942) *reh. denied*, 315 U.S. 826.

In the case at bar, this court has determined that through the terms of the ACL, plaintiff extended the monopoly privileges of its copyrights by licensing not-for-profit performances of copyrighted religious music for worship. This the plaintiff could not do. *See CableVision, Inc. v. KUTV, Inc.*, 335 F.2d 348, 351 (9th Cir. 1964), *cert. denied, Klix Corp. v. CableVision, Inc.*, 379 U.S. 989 (1965). The court has also determined that plaintiff's ACL is a tying contract which is *per se* illegal under the Sherman Act. *United States v. Loew's, Inc.*, 371 U.S. 38 (1962); *United States v. Paramount Pictures*, 334 U.S. 131 (1948). Thus, the undisputable facts show that plaintiff, through the policy represented by its ACL, has misused its copyright monopoly in the hymnals and the listed religious musical works described in this lawsuit. It continues to do so; in fact, it has expanded the utilization of this licensing policy.[5]

---

[5] For example, in 1977 plaintiff joined several of its competitors in forming The Copyright Sharing Corporation. The three corporate officers of the newly created corporation are the same as F.E.L.'s. The licensing arrangement which is offered by the new corporation is identical with plaintiff's ACL. The object of the conglomeration is to establish an ASCAP type of organization for print licensing of religious songs and hymnals. Unlike ASCAP, this organization would not allow alternative sources of the material vended, as compelled by the consent decrees described in *Broadcast Music, Inc. v. Columbia*

Footnote continued on next page.

Insofar as plaintiff seeks injunctive relief, its suit is one invoking the equity jurisdiction of this court. *Tempo Music, Inc. v. Myers,* 407 F.2d 503, 507 n.8 (4th Cir. 1969). But a court of equity will not aid a wrongdoer, a rule having its origin in the maxim that "one seeking equity must do equity and must show 'clean hands' at the threshold." *Udall v. Littell,* 366 F.2d 668, 675 (D.C. Cir. 1966), *cert. denied, Littell v. Udall,* 386 U.S. 939 (1967). Only recently, Judge Bua of this court pointed out that a court of equity is prevented by the doctrine of unclean hands from granting relief to a wrongdoing plaintiff. He said, "Thus a court may deny equitable relief if the applicant has been guilty of misconduct, fraud or bad faith toward the party against whom relief is sought in connection with the transaction under consideration." *Great Western Cities, Inc. v. Binstein,* 476 F.Supp. 827, 832 (N.D. Ill. 1979), *aff'd* 614 F.2d 775 (7th Cir. 1979).

The doctrine of unclean hands is not limited to suits in equity; the general principle it expresses is equally suited to damage actions. *Kuehnert v. Texstar Corp.,* 412 F.2d 700 (5th Cir. 1969). Equitable estoppel applies both in law and in equity to deny a party the right to plead or prove an otherwise important fact in this case, the alleged acts of copyright infringement because of something plaintiff has done or has omitted to do. *Tempo Music, Inc. v. Myers,* 407 F.2d 503, 507 (4th Cir. 1969); 18 Am.Jur.2d Copyright and Literary Property §§ 26, 27; *Nimmer on Copyrights* § 13.09[B]. In a court-tried case, the reason for invoking the "unclean hands" doctrine to bar an equitable claim applies with equal force to a claim at law for damages. *Urecal Corporation v. Masters,* 413 F.Supp. 873, 876 (N. D. Ill. 1976).

Accordingly, these principles of law and equity require that defendant's motion for summary judgment on his copyright

---

Footnote continued from previous page.

Broadcasting System, Inc., 441 U.S. 1, 10-12 (1979), *on remand, Columbia Broadcasting System, Inc. v. American Soc. of Composers, Authors and Publishers,* 607 F.2d 543 (2d Cir. 1979) *and* 620 F.Supp. 930 (2d Cir. 1980).

misuse defense be granted as to plaintiff's first 21 counts alleging copyright infringement. A copyright owner, like a patentee, who comes into a court of equity seeking relief from alleged infringements is not entitled to recover unless he can show that the misuse in which he has engaged has been purged. *Cf. Berlenbach v. Anderson Thompson Ski Co.*, 329 F.782 (9th Cir. 1964), *cert. denied*, 379 U.S. 830 (1964); *Krampe v. Ideal Industries, Inc.*, 347 F.Supp. 1384 (N.D. Ill. 1972); *Duplan Corp. v. Deering Milliken, Inc.*, 444 F.Supp. 648 (D. S.C. 1977) *aff'd in part*, 594 F.2d 979 (4th LCir. 1979), *cert. denied, Ateliers Roannais de Constructions Textiles v. Duplan Corp.*, 444 U.S. 1015 (1980). This does not nullify the copyrights; it merely prevents enforcement of them against the defendant in this case. *See Kearney & Trecker Corp. v. Cincinnati Milacron, Inc.*, 562 F.2d 365, 371 (6th Cir. 1977); *cf. In re Yarn Processing Patent Validity Litigation*, 472 F.Supp. 180 (S.D. Fla. 1979).

VI

Having decided on the disposition by dismissal of the 21 counts which allege copyright infringement, there remain three counts in which plaintiff alleges claims against defendant under the laws of Illinois. Count 22 seeks relief for conduct which defendant committed during pretrial proceedings in this case. It appears that in September 1976 the parties, in open court, agreed to the collection of all the home-made hymnals which plaintiff claims infringed its copyrights. These, according to the plaintiff, were to be delivered to its attorneys. Plaintiff alleges that defendant, as the Catholic Archbishop of Chicago, wrote a letter to his parishes, and to all Catholic institutions under his jurisdiction, directing them to remove from their premises the alleged infringing home-made hymnals, together with all of plaintiff's copyrighted works. This action, plaintiff alleges, interfered with the contractual relations it enjoyed through the sale of its ACL to a number of Catholic parishes which had done business with the plaintiff. According to the plaintiff, this

conduct constituted interference with prospective economic advantage and was unfair competition, in violation of the common law of Illinois.

Defendant answers this count, admitting that on September 30, 1976 there were proceedings in this court in which the parties agreed that all of the alleged infringing home-made hymnals would be collected. He insists, however, that plaintiff has misread what was said by counsel and has misinterpreted the agreement of the parties. He admits having circulated the letters alleged by the plaintiff; but denies they give rise to the claims being made.

Count 23 seeks to allege a claim of false description or representation as to defendant's goods; that is, the home-made hymnals. It is alleged that defendant has failed to place any copyright notice, acknowledgement of author or composer, the name of the copyright owner, or any indication of reprint permission from the plaintiff in the infringing hymnals. This conduct, plaintiff alleges, constitutes a false designation of origin and a false description or representation of defendant's goods within the meaning of Title 15 U.S.C. § 1125(a). This statute provides that:

> "Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation or origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which the locality is situated, or by any person who believes that he is or is likely to be damaged by the use of such false description or representation."

The affidavits, excerpts from depositions, and exhibits furnished the court by the parties in this summary judgment proceeding show that none of defendant's agents or employees affixed, applied, annexed, or used any false designation of origin on the home-made hymnals.[6] Also, the statute on which plaintiff relies requires that the goods or services to which a false designation of origin is affixed, applied, annexed, or used "enter into commerce." *See Scotch Whiskey Ass'n. v. Barton Distilling Co.*, 489 F.2d 809 (7th Cir. 1973). The facts in this case, as they have been flushed out by discovery, show that all of the home-made hymnals were used in the singing of mass and conduct of religious services within defendant's parishes, all in the state of Illinois.

Count 24, the last one, alleges facts asserting a claim for unfair competition under Illinois law. Plaintiff states that it has expended large amounts of time and money in creating and protecting its copyrighted works; that it has always offered and continues to offer its ACL to churches, schools, and other institutions in defendant's parishes, for a reasonable royalty. Plaintiff asserts that defendant has sought to avoid payment of royalties and compliance with the licensing program initiated by it through the ACL. In this way, alleges the plaintiff, it has been damaged by defendant's "deceptive trade practices, unfair competition and misappropriation in this district in violation of common law of the state of Illinois." Defendant has answered and denied the material allegations of these counts.

For adjudication of the claims made, plaintiff invokes the pendent jurisdiction of this court, and relies on 28 U.S.C. § 1338(b) which provides that "[t]he district court shall have original jurisdiction of any civil action asserting a claim of

[6] In fact, the evidentiary materials submitted in support of the motions for summary judgment clearly show plaintiff will not be able to prove that defendant, personally, as the Catholic Bishop of Chicago, did any of the things about which complaint is made. At most, plaintiff may be able to show that in some of defendant's parishes, priests, and laymen copied some of plaintiff's songs in making the home-made hymnals.

unfair competition when joined with a substantial and related claim under the copyright ... laws." However, pendent jurisdiction is a doctrine of discretion, not of plaintiff's right, and its justification lies in consideration of judicial economy, convenience and fairness to litigants; if these are not present, a federal court should hesitate to exercise jurisdiction over state claims even though bound to apply state law to them. *Nevills v. State of Illinois*, 338 F. Supp. 622 (E.D. Ill. 1974). This court is satisfied that plaintiff has not asserted a claim of unfair competition joined with a substantial and related claim under the copyright laws; and since all of plaintiff's claims for copyright infringement must be dismissed on grant of defendant's motion for summary judgment sustaining the copyright misuse defense, pendent jurisdiction will not be exercised. *See United Mine Workers v. Gibbs*, 383 U.S. 715, 726 (1966); *Palmer v. Ticcione*, 576 F.2d 459 (2d Cir. 1978), *cert. denied*, 440 U.S. 945 (1979). Accordingly, a judgment order pursuant to Fed. R. Civ. Proc. rule 58, 28 U.S.C., will be entered granting defendant's summary judgment motion and dismissing plaintiff's suit in its entirety.

So ordered.

/s/ George N. Leighton,
George N. Leighton,
United States District Judge

Dated: January 9, 1981

ANNUAL COPY LICENSE

F.E.L. Publications, Ltd. • 1925 Pontius Ave.
Los Angeles, CA 90025 • Phone: (213) 478-0053

To complete this "Annual Copy License," fill out lines indicated by arrow at Article 18 on page 3
To apply for the "Retroactive Release," fill out lines indicated by arrows at A, C, and H on page 4

1. CONSIDERATION. In consideration of the payment of the sum of $100.00, receipt of which is hereby acknowledged, F.E.L. Publications, Ltd., an Illinois Corporation, hereinafter referred to as "F.E.L.," hereby grants a License to the specific church, and/or school, or institution, or local chapter of an organization, physically located at the premises identified below at Article 18, hereinafter referred to as "USER" (USER of this License), for the non-exclusive right to reprint, mimeograph, duplicate, or otherwise reproduce in any form on paper, and/or slides, and/or transparencies (these forms of reproduction are hereinafter referred to as "copies") any music and/or text; in any arrangement, accompaniment, or edition: printed, published, and copyrighted by F.E.L. subject to the conditions of this License.

2. TERM. The term of this License will be for one year. The License Number will indicate the exact effective and expiration dates as completed below by F.E.L. at Article 19.

ADDITIONAL RIGHTS OF USER

3. UNLIMITED COPIES. F.E.L. grants to USER the right to make unlimited numbers of copies from F.E.L.'s printed page or from USER's own original master copy. F.E.L. cannot be responsible for the copyability of its printed page. The copying right is primarily designed to permit USER to make copies from USER's own original typed, hand written, or engraved master copy rather than F.E.L.'s printed page.

4. PERFORMANCE RIGHTS. F.E.L. grants to USER the right to perform the music and/or text at not-for-profit performances for purposes of worship and/or classroom use (including related C.C.D., Christian Education, and Sunday School classes) at USER's premises identified below at Article 18. All public performances for profit are to be cleared through F.E.L.'s performance rights organization: A.S.C.A.P., One Lincoln Plaza, New York, N.Y. 10023.

5. MINISTRY EXCEPTION. USER agrees to confine use of the copies to USER's premises as identified below at Article 18, with the occasional exception of homes, lecture rooms, and other places where the agent of USER might need copies in the performance of the agent's ministry, music, or teaching profession in the service of USER. This exception is not intended to be a "free continuing" License for places the agent of USER might visit (other churches, retreat houses, and schools not on contiguous premises) but is designed only for the convenience of the agent of USER at times when the agent is present in the service of USER at premises other than those identified below at Article 18. This is not a License for a group of churches, for a diocese, for conventions, for national, international, or other territorial organizations, etc., but only for a specific church, and/or school, or institution, or local chapter of an organization.

THREE "CONTINUING" OBLIGATIONS OF USER
(Articles 6, 7, and 8)

6. MAKE THREE ACKNOWLEDGEMENTS. USER agrees to make three acknowledgements in USER's copies (including slides and transparencies) of F.E.L.'s music and/or texts:

1) THE COMPOSER AND AUTHOR ACKNOWLEDGEMENT (Example: "Words and Music by Ray Repp" precedes the actual music and/or text)

2) THE COPYRIGHT ACKNOWLEDGEMENT (Example: "Copyright © 1966 by F.E.L." immediately follows the actual music and/or text)

3) THE PUBLISHER AND LICENSE NUMBER ACKNOWLEDGEMENT shall be made at the bottom of the first page of copies, or if a collection, on the inside cover, or where other publisher acknowledgements appear, bearing USER's assigned License Number given below at Article 19, in the following words:

> F.E.L. works are reprinted with permission under License Number _____ For recordings and further information, write: F.E.L. PUBLICATIONS, LTD., 1929 Pontius Avenue, Los Angeles, California 90025, Phone: (213) 478-0053

To simplify locating the correct composer, author, and year of copyright information required above for 1) the Composer and Author Acknowledgement, and, 2) The Copyright Acknowledgement, F.E.L. will provide USER with its current edition of the "Master Title Index." One free copy of this document will be returned to USER with this License on receipt of payment and is here incorporated as Exhibit A and made a part of this License by reference. The "Master Title Index," inside cover, Exhibit A, provision 1, contains the precise form, position, and "word for word" requirements (with an example) for these two acknowledgements. (Please note that the composer and music copyright acknowledgements are always to be given, even when words alone are copied, since the composer's melody will be sung from memory rather than music notation.)

> Reasons: Proper credits in place protect others from unknowingly making illegal copies, help to legally protect F.E.L. copyrights, and give the composer and author the recognition due their creativity.

7. MAIL COPIES. USER agrees to mail to F.E.L. one complete copy of any newly created copies or collection of

copies within 10 days of making copies (including any slides and transparencies). If no newly created copies are made by USER during the term of this License, (assuming that the copies used by USER were made in a prior consecutive licensed term) USER agrees to mail to F.E.L., prior to the first day of August of the current license term, one such complete copy again or a signed letter stating that no copies were made or used. The copies shall be mailed at no expense to F.E.L. and shall be a copy of the complete worship or music collection used by USER even though F.E.L.'s music and/or text might only constitute a part of a copied collection.

Reasons: F.E.L. does not require that USER count each composer and author credit but does so itself from the copies supplied by USER in order to allocate royalties to F.E.L. composers and authors and to verify the three required acknowledgements of Article 6.

8. EXPIRATION. Upon the expiration of this License, and its nonrenewal, all rights granted herein shall cease and terminate and the right to make further use of the copies shall also cease and terminate. If this License is not renewed, then USER agrees to destroy all copies licensed herein and to notify F.E.L. with a signed letter within 10 days after the expiration of this License specifying that copies were destroyed.

Reason: Continued use of copyrighted music and/or words without a current license could constitute copyright infringement under the Copyright Act of 1976, 17 U.S. Code Section 501. Such infringement could subject user to liability for injunctive relief, damages, court costs and attorney's fees (17 U.S.C. 502-505). Even though the copies are not sold, an infringer could be liable for statutory damages for each work as follows. a) "... a sum of not less than $250 or more than $10,000" (17 U.S.C. 504 [c] [1]); or, where the court finds the infringement was committed willfully, that is, intentionally infringing a copyrighted work, b) "... a sum of not more than $50,000" (17 U.S.C. 504 [c] [2]).

THREE "PRIOR" OBLIGATIONS OF USER
(Articles 9, 10, and 11)

9. PAY FOR ANY PRIOR COPYING. The agent completing this License for the USER states that the USER has not copied nor has in its possession or at its disposal any unlicensed copies of F.E.L.'s copyrighted music and/or texts made or used prior to the effective date of this License, or in the alternative, USER agrees to concurrently pay and make application to F.E.L. for a "Retroactive License," which will be given by F.E.L. in the form attached hereto. The "Retroactive License" among its provisions, requires back payment. USER may then use prior copies provided that they meet the acknowledgement and mailing requirements given below at Articles 10 and 11.

> Reason: Many USERS have renewed this License for a number of consecutive years. It would not be just or equitable to these USERS to allow an unlicensed copier, during the same time period, to evade his legal obligation (which under the law, continuing at the present could subject the violator to damages far in excess of the Retroactive License fees).

10. CORRECT PRIOR COPIES (THE STICKER OPTION). USER agrees to correct acknowledgements on any existing copies to conform to the requirements given above at Article 6 before using them. USER may wish to use copies already made (including slides and transparencies) under the terms of this License. Rather than destroy the existing copies and then to newly create copies solely to conform to the three required acknowledgements given above at Article 6, USER has the option of affixing a "Special F.E.L. License Sticker." The sticker shall be affixed at the bottom of the first page of copies, or if a collection, on the inside cover, or where other publisher acknowledgements appear, or on the first slide or transparency. Each sticker shall bear USER's assigned License Number given below at Article 19. F.E.L. will accept the affixing of these stickers in lieu of the three required acknowl-

edgements given above at Article 6. USER may print his own sticker (including USER's License Number) containing the precise wording given in the "Master Title Index," inside cover, Exhibit A, provision II; or, USER may purchase the preprinted stickers from F.E.L. and fill in USER's License Number. USER agrees not to use the existing copies until the acknowledgements are correct. It is specifically understood that newly created copies may not bear the sticker but will conform to each of the three required acknowledgements given above at Article 6.

Reason: See Article 6.

11. **MAIL CORRECTED PRIOR COPIES.** USER agrees to mail to F.E.L. one complete copy of the corrected copies or collection of copies (with affixed and numbered sticker, if this option is utilized) within 10 days of making such corrections as described above at Article 10 (including all slides and transparencies), at no expense to F.E.L.

Reason: See Article 7.

INSPECTION AND CANCELLATION

12. INSPECTION. USER agrees that F.E.L. shall have the right through F.E.L.'s designated representative(s), during usual office hours, to examine any of USER's worship and music collections or copies, even though F.E.L.'s copyrighted music and or text might not be included or only constitute a part thereof. USER shall provide any collections and copies for such inspection upon 24 hours notice to verify compliance with the articles of this License. F.E.L. shall have the continuing right for a period of three years subsequent to the termination of this License to make inspections as above provided in its entirety.

13. CANCELLATION. USER agrees that failure to comply with any of the articles of this License shall automati-

cally result in the cancellation, expiration, and termination of this License. F.E.L. retains the right to reinstate this License if, within 10 days after notice by F.E.L. to USER, USER corrects the violation. Satisfactory correction shall be in the sole judgement of F.E.L. If this License is not reinstated by F.E.L., USER shall forfeit any sums paid without recourse as partial liquidated damages and USER shall immediately destroy the copies. As further liquidated damages, USER agrees to pay damages pursuant to the provisions of the Copyright Act of 1976, Title 17, U. S. Code, Chapter 5 (or any successor statute in that regard) and all court costs and attorney's fees resulting from securing compliance with this License.

MISCELLANEOUS PROVISIONS

14. COPIES MAY NOT BE SOLD. USER agrees not to sell the copies. Separate charges and licenses are required to permit copies to be sold to the congregation or others when allowed by F.E.L. USER further agrees not to sell, lend, or otherwise dispose of the copies to any church, school, entity, or person other than those persons in the service of USER (agents) necessary to permit USER to carry out the uses licensed herein. This is not a license for publishers, businesses, or not-for-profit organizations who wish to sell products including F.E.L. copyrighted music and/or texts, even at nominal charges.

15. SONGS MAY NOT BE RECORDED OR TAPED. USER agrees not to record, tape, or use as sound-tracks for film strips or motion pictures, or sound reproduce in any manner the music and/or texts licensed herein. Separate charges and licenses are required to sound reproduce when allowed. This is a License to copy only and does not authorize any use of F.E.L.'s music and/or texts not expressly set forth above at Article 1.

16. F.E.L. OWNERSHIP. USER acknowledges that all right, title, and interest in and to the copyrighted music and/or texts provided herein reside in F.E.L. All rights not specifically granted herein are reserved by F.E.L. F.E.L. warrants only that it has the legal right to grant this License, and this License is given and accepted without other warranty or recourse.

17. JURISDICTION. This License shall be deemed to have been made in the State of California, and its validity, construction, and effect shall be governed by the laws of said State. The parties hereto consent to and accept the jurisdiction of the courts of the State of California with respect to the determination of any claim, dispute, or disagreement which may arise from the interpretation, performance, or breach of this License, or with respect to any matter involved herein.

18. THE LICENSED ENTITY AND PREMISES LOCATION. (USER may also specify the related school if adjacent):

CHURCH _____ ADDRESS: _____
Please type or print.

CITY, STATE, ZIP _____ PHONE: _____

SCHOOL: _____ ADDRESS: _____
Or Institution or local chapter of an Organization.

CITY, STATE, ZIP: _____ PHONE: _____

BY: _____ POSITION: _____
Please type or print agent's name on behalf of licensed entity. Pastor, Asst. Pastor, Choir Director, Teacher, etc.

ADDRESS: _____ CITY, STATE, ZIP: _____
Please type or print if mailing address of agent signing is different than above licensed premises.

SIGNATURE: _____ PHONE: _____

_____*Please do not write in the space below*_____ _____

19. THE LICENSE NUMBER AND TERM DATES.

LICENSE NUMBER:_____ EFFECTIVE DATE:_____
EXPIRATION DATE:_____

20. F. E. L. PUBLICATIONS, LTD.

By:_____

ORDER BLANK

Dear F.E.L.: Please send the following items to the above address:

Number of Sheets		Extra Copies
_____	THE STICKER OPTION: F.E.L. LICENSE STICKER SHEETS (#104) An "Annual Copy License" option to correct lack of proper acknowledgments on any existing copies, saving reprinting costs. 10 peel-off stickers on a sheet (Size: 2" x 4"): 50¢ per sheet.	_____
	MASTER TITLE INDEX (#310) A comprehensive acknowledgement index alphabetized by title of 1145 F.E.L. copyrights with "word for word" required composer-author and year of copyright acknowledgements. Also includes useful printed and recorded publication sources for each F.E.L. song. One copy free with License (32 pp.). $2.00 per additional copy.	

To cover shipping and handling charges for the above items, please add 75¢ if the amount of your order is less than $25, or add 3% if the amount of your order is more than $25. California residents please include 6% Sales Tax for the cost of the above items only (not the License). Please do not send currency, all prices are subject to change without notice. 4/78

My payment consists of $100.00 for the "Annual Copy License,"

+$_____ for the "Retroactive License" (see next page),

+ $_____ for the "Stickers" and/or "Indexes" ordered above.

= $ TOTAL AMOUNT

ONE TIME USAGE

F.E.L. has an additional option for "One Time Usages" where the copies will be destroyed after use at singular occasions such as weddings, etc. Prior written permission is required with a $10 minimum processing charge applied to 2¢ per copy per copyright. Write for prior permission with stipulated acknowledgements.

My check or money order for this total amount is enclosed (simply make payable to "F.E.L."), or, I authorize you to charge the total amount to my ☐ BankAmericard or ☐ Master Charge/Interbank card.

Credit Card Number:_____

Exp. Date:_____ Master Charge Bank Number (4 digits, lower left._____

Signature:_____

The following is to be completed only if you must comply with Articles 9, 10, and 11 (continued use of prior copies) of the "Annual Copy License", or, if you desire a "Retroactive License" for prior copying and no longer intend to use F.E.L.'s copyrighted music and/or texts.

> *"So if you bring your gift to the altar and then remember that your brother has something against you, leave your gift at the altar and go to your brother first to be reconciled, then come and offer your gift." Mt. 5:23-24*

APPLICATION FOR A RETROACTIVE LICENSE

A. APPLICANT'S NAME AND ADDRESS. (APPLICANT may also specify the related school if adjacent)

CHURCH:_____ ADDRESS: _____
Please type or print.

CITY, STATE, ZIP:_____ PHONE: _____

SCHOOL: _____ ADDRESS: _____
Or institution or local chapter of an Organization.

CITY, STATE, ZIP:_____ PHONE: _____

B. PRIOR COPYING FEE. APPLICANT has enclosed with this application, as payment in full for the prior copying of F.E.L.'s copyrighted music and/or texts subject to the terms and limitations of this License, the sum of $500.00

C. AGREEMENT TO PURCHASE F.E.L.'S "ANNUAL COPY LICENSE" OR PLEDGE TO DESTROY THE COPIES. APPLICANT states that he has additionally enclosed $100.00 for the purchase of F.E.L.'s "Annual Copy License" attached hereto, or, has destroyed all copies in the month of _____, 19_____.

D. APPLICATION FOR A LIMITED RETROACTIVE LICENSE. APPLICANT states that he has not sound repro-

duced or offered for sale printed copies of F. E. L.'s copyrighted music and/or text without obtaining a license or release from F. E. L. separate from the "Retroactive License," which is the subject matter of this Application.

E. INSPECTION. APPLICANT agrees that F. E. L. shall have the right through F. E. L.'s designated representative(s), during usual office hours, to examine any of APPLICANT'S worship and music collections or copies, even though F. E. L.'s copyrighted music and/or text might not be included or only constitute a part thereof. APPLICANT shall provide any collections and copies for such inspection upon 24 hours notice to verify compliance with the information stated in this Application. F. E. L. shall have the continuing right for a period of three years subsequent to the date the "Retroactive License" was issued to make inspections as above provided in its entirety.

F. NULL AND VOID. APPLICANT agrees that any information incorrectly stated in this Application shall automatically cause the "Retroactive License" to be deemed null and void from its inception. APPLICANT shall forfeit any sums paid without recourse as partial liquidated damages and, as further liquidated damages, APPLICANT agrees to pay damages pursuant to the provisions of the Copyright Act of 1976, Title 17, U. S. Code, Chapter 5 for any successor statute in that regard) and all court costs and attorney's fees resulting from securing compliance with this License.

G. JURISDICTION. APPLICANT requests that this "Retroactive License" shall be deemed to have been made in the State of California, and its validity, construction, and effect shall be governed by the laws of said State. APPLICANT hereto consents to and accepts the jurisdiction of the courts of the State of California with respect to the determination of any claim, dispute, or disagreement which may arise from the interpretation, performance, or breach of this License or with respect to any matter involved therein.

H. THE AGENT OF THE APPLICANT.

BY: _____ POSITION: _____
Please type or print agent's name on behalf of the APPLICANT. Pastor, Asst. Pastor, Choir Director, Teacher, etc.

ADDRESS: _____ CITY, STATE, ZIP: _____
Please type or print if mailing address of agent is different than APPLICANT'S address above at A.

SIGNATURE: _____ PHONE: _____

Please do not write in the space below

RETROACTIVE LICENSE

1. **CONSIDERATION.** In consideration and upon reliance of all information supplied in the above attached "Application for a Retroactive License and for the nonrefundable sum provided above at B of said Application, receipt of which is hereby acknowledged, F. E. L. Publications, an Illinois Corporation, hereinafter referred to as "F. E. L." hereby grants to the APPLICANT, identified above at A in said Application, a Retroactive License covering APPLICANT'S unlicensed use or unlicensed reprinting, mimeographing, duplicating, or otherwise reproducing in any form on paper, and/or slide and/or transparencies (these forms of reproducing are hereinafter referred to as "copies") of any music and/or text; in any arrangement, accompaniment or edition, printed, published, and copyrighted by F. E. L., subject to the conditions of this License.

J. LICENSE LIMITATIONS. This is not a License for sound reproductions or printed copies offered for sale. This License is granted in reliance upon the information supplied at C in the above Application that copies were either destroyed on or prior to the date this License is issued, or in the alternative, that APPLICANT concurrently paid and made application to

F. E. L. for its "Annual Copy License" attached hereto. (See Articles 10 and 11 of the "Annual Copy License" before using the prior copies.) All rights not specifically waived are reserved by F. E. L.

DATE: _____ BY: _____

Dated at Los Angeles, California

F. E. L. PUBLICATIONS, LTD.
1925 Pontius Ave.
Los Angeles, CA 90025
Phone (213) 478-0055

No. 82-46

Office - Supreme Court, U.S.
FILED
AUG 9 1982
ALEXANDER L. STEVAS,
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1982

CATHOLIC BISHOP OF CHICAGO

Petitioner,

v.

F.E.L. PUBLICATIONS, LTD.

Respondent.

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

CHARLES A. LAFF
LARRY L. SARET
LAFF, WHITESEL, CONTE & SARET
John Hancock Center,
Suite 3430
Chicago, Illinois 60611
Telephone: (312) 649-0200
Attorneys for Respondent

Pandick Press Midwest, Inc. Chicago • 454-7600

QUESTION PRESENTED

Whether the Court of Appeals erred in determining that respondent's Annual Copy License was not a copyright misuse or a violation of the antitrust laws and did not bar respondent's claims of copyright infringement.

TABLE OF CONTENTS

	PAGE(S)
QUESTION PRESENTED	i
TABLE OF AUTHORITIES	iii
STATEMENT OF THE CASE	1
SUMMARY OF ARGUMENT	8
ARGUMENT and REASONS FOR DENYING THE WRIT OF CERTIORARI	10
I. Since The Court Of Appeals Found No Copyright Misuse, The Decision Below Does Not Involve The Issue Of Whether Misuse Is A Defense To Copyright Infringement.	10
II. The Decision Below Is Not In Dispute With This Court's Decisions In Loew's, Paramount Pictures, And Zenith And Is Consistent With Broadcast Music.	11
III. The Appellate Court's Refusal To Accept The Bishop's Unsupported Interpretation Of An Isolated Clause In The ACL Is Not A Question Of Federal Law Or National Importance Appropriate For Supreme Court Review.	14
IV. The Court Of Appeals' Decision On The Rule Of Reason Is Firmly Based On Undisputed Facts	16
CONCLUSION	18

TABLE OF AUTHORITIES

	PAGE(S)
Arizona v. Maricopa County Medical Society, 50 U.S.L.W. 4687 (June 18, 1982)	12
Automatic Radio Mfg. Co., Inc. v. Hazeltine Research, Inc., 339 U.S. 827 (1950)	13
Broadcast Music, Inc. v. Columbia Broadcasting System, Inc., 441 U.S. 1 (1979)	7, 11, 13
Columbia Broadcasting System, Inc., v. American Society of Composers, Authors and Publishers, et al., 620 F.2d 930, 939 (2d Cir. 1980), cert. denied, 450 U.S. 970 (1981)	17
F.E.L. Publications, Ltd. v. Catholic Bishop of Chicago, 199 U.S.P.Q. 8[illegible] (N.D. Ill. 1978)	5
F.E.L. Publications, Ltd. v. National Conference of Catholic Bishops, 466 F. Supp. 1034, 1039 (N.D. Ill. 1978)	2
Fidelity & Deposit Co. v. United States, 187 U.S. 315 (1902)	16
First National Bank of Arizona v. Cities Service Co., 391 U.S. 253, 290 (1968)	16
Fountain v. Filson, 336 U.S. 681 (1949)	17
Harms, Inc. v. Sansom Enterprises, Inc., 162 F. Supp. 129 (E.D. Pa. 1958), aff'd, 267 F.2d 494 (3d Cir. 1959)	10
M. Witmark & Sons v. Jensen, 80 F. Supp. 843 (D. Minn. 1948)	10
Missouri Pacific Railroad Co. v. National Milling Co., Inc., 409 F.2d 882, 885 (3d Cir. 1969)	18
Morton Salt v. G.S. Suppiger Co., 314 U.S. 488 (1942)	10
United States v. Great Northern Railway Co., 337 F.2d 243, 249 (8th Cir. 1964)	18

	PAGE(S)
United States v. Loew's, Inc., 371 U.S. 38 (1962) .	7, 11, 12, 13
United States v. Paramount Pictures, 334 U.S. 131 (1948)	7, 11, 12, 13
Weit v. Continental Illinois National Bank & Trust Co., 641 F.2d 457, 464 (7th Cir. 1981)	16
Zenith Radio Corp. v. Hazeltine Research, Inc., 395 U.S. 100 (1969)	12, 13
Statutes And Rules	
15 U.S.C. § 1125(a)	4
Supreme Court Rule 28.1	1
U.S. Constitution, Article I §8	12
Treatises	
6 Moore's Federal Practice ¶ 56.12 at 56-331 (2d ed. 1982)	18

IN THE

Supreme Court of the United States

OCTOBER TERM, 1982

CATHOLIC BISHOP OF CHICAGO

Petitioner,

v.

F.E.L. PUBLICATIONS, LTD.

Respondent.

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

STATEMENT OF THE CASE

Respondent F.E.L. Publications Ltd. (FEL) is a music publisher specializing in marketing religious music, particularly music directed to Catholic parishes.[1] FEL acquired approximately 1400 music copyrights from individual composers, who assigned all of their rights to FEL in exchange for royalties based on sales (A. 1a, 2a).[2] The copyrights involved in this case cover compilations of individual songs for which individual copyrights are also claimed in the words, music, or both.

---

[1] Pursuant to Supreme Court Rule 28.1, there are no parent, subsidiary, or affiliate corporations to FEL. There are some common officers and shareholders between FEL and Copyright Sharing Corporation of Beverly Hills, California.

[2] All citations to Petitioner's appendix are labeled (A.), and references to the Petition are labeled (P.).

FEL's Annual Copy License (ACL) was instituted in 1972. The ACL was offered to solve a growing problem in Catholic churches throughout the United States commonly known in the religious music industry and among church leaders[3]—illegal copying of copyrighted music by clerics and lay groups celebrating masses in churches. During this time, folk-style religious music was popular in Catholic churches, and FEL was one of several publishers concentrating on this style of music.

Prior to 1972, the music was primarily supplied to churches in the form of printed publications. FEL concluded that illegal copying was occurring in part due to the churches' dissatisfaction with printed publications. Many churches were then beginning to compile their own "custom hymnals" containing only the music each congregation desired. It was difficult, if not impossible, to develop such a hymnal because the music usually originated from multiple publishers, each publishing a desired song or songs in combination with other songs. In addition, the churches' selection of songs and the necessary number of copies of each song frequently changed throughout a single year. These problems combined to make printed publications impractical for some churches.

The ACL was an attempt to accommodate the churches' desires inexpensively and on a basis that was also fair and equitable for FEL. The ACL permitted churches to select one or more of FEL's 1400 songs and make unlimited copies of those songs for one year upon payment of a $100 fee. This option was offered to the public in addition to the existing printed publications and to another type of license, called a One

[3] Illegal copying, not limited to the music of any particular publisher or being committed by any particular parish, was generally known to FEL, other publishers, and the National Conference of Catholic Bishops, which issued two statements to U. S. Catholic institutions condemning copyright infringement. See F.E.L. Publications, Ltd. v. National Conference of Catholic Bishops, 466 F. Supp. 1034, 1039 (N.D. Ill. 1978).

Time Usage License, which required payment of $.02 per song per copy with a minimum order of $10 and required destruction of the copies following the single occasion (for example, a wedding or other special event) for which the songs were used. At times during the period 1972-1976 preceding the filing of this suit by FEL, FEL's printed hymnals and songbooks containing various collections of its most popular songs sold for as low as 39¢ per hymnal and 19¢ per songbook if ordered in quantity. FEL also sold sheet music containing individual songs for as low as $1 per song, and cards containing eight often-requested songs for 25¢ to 50¢ each depending on quantity (A. 2a).[4]

The ACL legalized copying and appealed primarily to the "heavy users" of FEL's music, the churches that used more than a few of FEL's songs or a large number of copies or that simply desired the flexibility provided by the license to change songs and to decide on Saturday afternoon which songs were to be used for a Sunday mass. The license freed FEL and the churches from the administrative problems and costs involved in negotiating fees for each song to be used and the number of copies to be made. The license also substantially reduced the problem, for both FEL and the church, of policing copy licenses in parishes spread throughout the country and monitoring the

---

[4] Thus, the contrived example listed in petitioner's brief (P. 20) of 500 copies of sheet music for one song at $1 per song, or $500, is neither the least expensive option for a church nor does it bear any relation to a realistic purchasing situation. If a church wanted 500 permanent copies of a song, it could buy 500 songbooks at 19¢ each and spend $95. A more realistic example would be a request for 500 copies of 20 different songs. Even at 2¢ per song per copy, a price to which the Bishop does not seem to object, the copies would cost $200, or double the price of the ACL.

FEL also offered a commercial reprint license to competing publishers for commercial reprinting of preselected songs in limited quantities for inclusion in permanent printed hymnals and songbooks. This license was designed to meet the particular needs of publishers which did not require the flexibility provided by the ACL.

number of copies made, because the churches were permitted to copy any or all of FEL's songs in unlimited quantities. These benefits were expressly recognized by the court of appeals (A. 10a, 11a), which noted:

> "The ACL was not developed in a vacuum; it grew out of a history of copyright infringements and was designed to protect musical copyrights in a market where infringement is not easy to detect and harder to prevent." (A. 11a)

While 30 of the 447 parishes in the Chicago Archdiocese found the ACL useful and entered into licenses with FEL, an informal survey conducted by FEL in 1976 revealed that approximately 100 Chicago area parishes had copied FEL's music without permission and with disregard for various options of copy licenses or printed publications offered by FEL. Copying had continued despite FEL's distribution of four mailers to each of the Chicago parishes and other Catholic institutions throughout the U.S. during the period 1972-1976 offering FEL's products and warning against copyright infringement in general, and despite notices of infringement sent before filing suit to the approximately 100 Chicago area churches known to be infringing. Consequently, FEL filed this action on September 20, 1976 against one of its biggest customers, the Catholic Bishop of Chicago (Bishop), claiming copyright infringement and unfair competition under the Lanham Act, 15 U.S.C. §1125(a), and under the common law of Illinois.

On September 29, 1976, FEL filed a motion for a temporary restraining order and preliminary injunction seeking to enjoin alleged continuing infringement of the copyrighted works involved in this suit. At a hearing on this motion on September 30, 1976, the Bishop voluntarily agreed to remove all materials containing unauthorized copies of FEL songs from the parishes and other institutions comprising the Archdiocese and deliver them to FEL's counsel, and FEL withdrew its motion. Purportedly pursuant to this agreement, the Bishop also circul. ed letters to its parishes ordering a ban on the

singing of FEL music and requiring the collection of all FEL works, including lawfully printed and licensed publications, and lawful sound recordings. The letters stated that these steps were necessary to avoid "penalties imposed on the Archdiocese, its parishes and personnel by the Federal Court". Copies of these letters were also circulated to fellow bishops in the U.S. The collected materials, comprising approximately 500 boxes containing approximately 225,000 songsheets or songbooks including unauthorized copies of FEL songs, were delivered to FEL's counsel's offices. Subsequent examination of these materials revealed that approximately 160,000 of the 225,000 songsheets and songbooks contained at least one FEL song which was copied without authority. In all, over *1.5 million* unauthorized copies of FEL songs were collected from the Bishop (A. 3a).[5]

Upon learning of the letters and receiving the lawful materials, as well as the unauthorized materials, FEL filed a Motion for Clarification of the September 30, 1976 Agreement. Thereafter, the Bishop agreed to take back and store at its own expense the lawfully printed publications and sound recordings. In a Memorandum Opinion dated March 29, 1977 District Judge Kirkland[6] strongly condemned the misleading nature of the Bishop's letters and the unnecessary collection of lawful copies of FEL materials from the parishes. But, the parishes continue to be deprived of their lawful copies of FEL songs, and the purchase and singing of FEL songs is still banned in Chicago.

---

[5] Unauthorized copies of FEL's music were not the only infringements uncovered in the Bishop's material. Numerous popular songs, such as "Bridge Over Troubled Waters" by Simon and Garfunkel and "Blowin' In The Wind" by Peter, Paul & Mary are also contained in many of these materials, apparently without permission of the copyright owners.

[6] F.E.L. Publications, Ltd. v. Bishop of Chicago, 199 U.S.P.Q. 85 (N.D. Ill. 1978). This case was transferred to District Judge Leighton upon Judge Kirkland's retirement.

The Bishop filed its first Answer with affirmative defenses and a Counterclaim on January 12, 1977. Certain of the affirmative defenses and the Counterclaim alleged copyright misuse and violation of the Clayton and Sherman Antitrust Acts due to FEL's offering of the ACL.

On August 11, 1977, the district court entered a memorandum Opinion and Order dismissing the Clayton Act portions of defendant's Counterclaim and dismissing certain other Affirmative Defenses.

In another Memorandum Opinion and Order dated April 28, 1978, the district court granted the Bishop's motion for partial summary judgment dismissing from the case the 22 parishes that had obtained licenses and 9 parishes that purchased releases from FEL,[7] and also the 149 parishes that apparently made no copies of FEL's works. Summary judgment was denied as to the 122 parishes which copied FEL's works for more than three years before this suit was filed, but continued to use the copies thereafter. The Bishop made no effort to include in its motion the remaining 146 parishes which copied FEL's works within the three years immediately prior to the inception of this case.

The parties subsequently filed cross motions for summary judgment regarding copyright infringement, antitrust violations, and copyright misuse. Combined memoranda addressing both parties' motions were filed, and a combined oral argument was heard. On May 23, 1980, the district court denied FEL's motion for summary judgment as to the liability of the Bishop for copyright infringement and on the antitrust counterclaim. On January 9, 1981 the district court granted the Bishop's motion for summary judgment on the copyright misuse and antitrust claims and dismissed the entire complaint. The affidavits, depositions and other discovery filed in support of

[7] FEL asserted no claims against parishes that had purchased licenses or releases and did not oppose this portion of the Bishop's motion.

both parties' motions disclosed, among other things, all of FEL's products and marketing practices, as well as the Bishop's conduct and the conduct of his agents in connection with the use of FEL's music. The memoranda filed in connection with both FEL's motion and the Bishop's motion argued the legality of the ACL under the Sherman Act and, while both parties contended that the issue was proper for summary judgment, the sets of undisputed facts relied upon and the legal conclusions resulting from those facts differed.

On appeal, the Seventh Circuit Court of Appeals unanimously reversed the order of the district court and remanded for proceedings consistent with its opinion. The court of appeals found no basis for the district court's conclusion that the ACL licensed not-for-profit performances exempted from the copyright owner's exclusive rights under the 1909 Copyright Act. The appellate court agreed "that the ACL limits the use of F.E.L. songs to not-for-profit performances", but it disagreed with the "legal consequences of this fact" and held that the ACL "does not license the performance itself" (A. 6a, 7a).

The court of appeals also found that the ACL was not illegal under the Sherman Act. The court was not persuaded by the Bishop's attempt to bring the ACL within the holdings of *United States v. Loew's, Inc.*, 371 U.S. 38 (1962), and *United States v. Paramount Pictures*, 334 U.S. 131 (1948), by labeling the ACL a "tying contract". Rather, the court found that the "ACL is more appropriately analyzed as a blanket license under the precedent established in *Broadcast Music, Inc. v. Columbia Broadcasting System, Inc.*, 441 U.S. 1 (1979)", where the Supreme Court "scrutinized a license so similar to the ACL" that the court of appeals was unable "to see how the instant case can be distinguished" (A. 10a).

In following *Broadcast Music*, the court of appeals found that the ACL was "not a combination of individual song licenses" but instead "a unique product 'composed of the individual compositions plus the aggregating service [such

that] the whole is truly greater than the sum of its parts' " (A. 11a, 12a). Noting that the record disclosed no tying or tied products, the court of appeals found that the ACL is "a singular commodity" (A. 12a) and concluded "there can be little doubt that the ACL is not a per se violation of the Sherman Act" (A. 12a).

The court also found that the substantial discovery generated in the case created a record which "fully disclosed" (A. 13a) the characteristics of the alternatives to the ACL offered by FEL, and warranted an evaluation of the ACL under the rule of reason. The court even considered "the potential for coercion [in the form of price fixing] from the ACL", a theory not even espoused by the Bishop, but concluded as a matter of law that the "ACL has no anti-competitive effects" and is not a violation of the antitrust laws (A. 15a).

Finally, the court of appeals found error in the district court's dismissal of the Lanham Act count and determined that reconsideration of the dismissed pendent state law counts was appropriate. The Bishop does not seek review of this portion of the decision.

A petition for rehearing and suggestion for rehearing en banc filed by the Bishop was unanimously denied by the Seventh Circuit Court of Appeals on May 17, 1982.

SUMMARY OF ARGUMENT

The first and primary reason given by the Bishop for granting certiorari in this case centers on whether copyright misuse is a complete defense to copyright infringement. This issue was not reached by the court of appeals, because that court found no misuse and because the district court has not yet entered an order finding copyright infringement.

There is no copyright misuse because the ACL is a single, unique product and a blanket license. It is not a mandatory package license, as claimed by the Bishop, because it is not mandatory. Persons desiring FEL's music can choose from various alternatives to the ACL, including a per song license and printed publications containing one or a combination of FEL's most popular songs.

The ACL does not license not-for-profit performances or public domain material. The Bishop's arguments rest on his own interpretation of isolated clauses in the ACL which are unsupported by the undisputed facts in the record and which have already been interpreted by the court of appeals unanimously against the Bishop. There is no question of federal law or national importance in interpreting clauses in the ACL.

The court of appeals conclusion that the ACL does not violate the rule of reason is based on undisputed facts. Rather, the Bishop merely wants to make a "full record" and "elaborate inquiry into the reasonableness of the challenged practice" (P. 21) but fails to indicate what, if anything, would be added to the record. In fact, there is no evidence that would change the finding that the ACL has no anticompetitive effects. There is, therefore, no violation of the Bishop's right to a jury trial.

There are no valid reasons for granting the writ of certiorari. All of the reasons, arguments, and cases cited by the Bishop in his Petition were considered by the court below, except the jury trial argument which, as previously described, lacks merit.

The Petition for Writ of Certiorari should be denied.

ARGUMENT

REASONS FOR DENYING THE WRIT OF CERTIORARI

I. Since The Court Of Appeals Found No Copyright Misuse, The Decision Below Does Not Involve The Issue Of Whether Misuse Is A Defense To Copyright Infringement.

The Bishop claims that the decision below provides this Court with an opportunity to resolve the alleged confusion in the lower courts as to whether the copyright misuse doctrine is a complete defense to a copyright infringement action. However, the court of appeals did not find copyright misuse, a threshold determination for the Bishop's alleged issue. Moreover, the district court has not yet entered an order finding copyright infringement. Therefore, the Bishop's issue is not present and a resolution of the alleged confusion in the lower courts would have no effect on the case at bar.

Petitioner refers to *Morton Salt v. G.S. Suppiger Co.*, 314 U.S. 488 (1942), and a number of lower court decisions examining various forms of misuse or unclean hands, all very different from the alleged misconduct of FEL. In some of these cases, such as *Hurms, Inc. v. Sansom Enterprises, Inc.*, 162 F. Supp. 129 (E.D. Pa. 1958), *aff'd*, 267 F.2d 494 (3d Cir. 1959), the courts merely found that there was insufficient evidence to raise the misuse defense, or that the evidence presented was collateral to the parties in suit, and did not avoid infringement claims. In the unique case of *M. Witmark & Sons v. Jensen*, 80 F. Supp. 843 (D. Minn. 1948), the copyright owner was denied relief because to grant relief "would serve to continue the unlawful practices here condemned . . ." 80 F. Supp. at 850. Aside from this type of aberration, there is no real dispute among the lower courts because the evidence of copyright misuse presented in these cases has generally not risen to the level where a court of equity would deny relief to a copyright owner.

The Bishop premises his entire argument for certiorari with this alleged confusion and with the astounding accusation that the Seventh Circuit Court of Appeals is guilty of a copyright "bias" (P. 9). Nevertheless, the substance of his argument rests on his view of selected facts which have been distorted to fit this case into the holdings of several prior decisions of this Court, and also on an unsuccessful attempt to distinguish this Court's decision in *Broadcast Music, Inc. v. Columbia Broadcasting System, Inc.*, 441 U.S. 1 (1979).

II. The Decision Below Is Not In Dispute With This Court's Decisions In Loew's, Paramount Pictures, And Zenith And Is Consistent With Broadcast Music.

The Bishop's initial dispute centers on whether the ACL is a blanket license, as found by the court of appeals, or a tying contract—mandatory package license (the Bishop apparently uses these terms interchangeably). The court of appeals determination rested on conclusions drawn from undisputed facts concerning the ACL. The Bishop's characterization is based on an argument that the court of appeals "ignored" and "overlooked" certain facts (P. 12). Reexamination of these facts, which in reality were neither "ignored" nor "overlooked", should not be a Supreme Court exercise.

In an attempt to bring this case within the holdings of *United States v. Loew's, Inc.*, 371 U.S. 38 (1962), and *United States v. Paramount Pictures*, 334 U.S. 131 (1948), the Bishop labels the ACL as a mandatory package license despite the "substantial similarity" (A. 12a) between the ACL and the blanket license in *Broadcast Music*.[8] This label is based on the Bishop's "bald assertion that some songs are more popular than others" (A. 12a), and from FEL's refusal to grant the particu-

[8] Contrary to the Bishop's assertion that the Seventh Circuit did not mention Loew's or discuss Paramount Pictures (P. 7), the court of appeals' decision does refer to Paramount Pictures (A. 9a), and both cases were argued extensively in the appeal briefs and at oral argument.

lar type of license allegedly desired by the Bishop. That some FEL songs are more popular than others is hardly a startling revelation; any songbook or hymnal contains some popular and some less popular songs, and the same is true with ASCAP's and BMI's licenses. As noted by the court of appeals, "a publisher selling a hymnal is not guilty of violating the antitrust laws because he does not offer for sale each song separately" (A. 12a, n. 14). FEL's refusal to grant a per song license other than its One Time Usage License, or to provide permanent copies of its music other than hymnals, songbooks, songcards and sheet music, does not make the ACL illegal or unreasonable. "A copyright owner is not required to market its copyrights in a form most convenient to its customers" (A. 14a).

Unlike the circumstances in *Loew's* and *Paramount Pictures,* involving not a blanket license, but a practice whereby licensees could not obtain the more popular films without paying for the less popular films, the ACL is a "unique product" (A. 11a) and "a singular commodity" (A. 12a) offering flexibility and other advantages unavailable in a single song license. The ACL was offered by FEL *in addition* to its other means for providing music to churches. Thus, it would not "promote the progress of the useful art", as mandated by Article I §8 of the United States Constitution, to strike down this additional means for making copyrighted music available to the public.[9]

The Bishop's reliance on *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100 (1969), is similarly misplaced. This is not a situation as in *Zenith* where royalties are being

[9] While the Bishop also cites this Court's recent decision in Arizona v. Maricopa County Medical Society, 50 U.S.L.W. 4687 (June 18, 1982), he fails to recognize or point out this Court's most recent approval of a business practice referred to in that same case similar to a blanket license. A medical clinic's offer of complete medical coverage for a flat fee was termed "perfectly proper" in that decision. 50 U.S.L.W. at 4693.

paid on sales of items not embodying the licensed rights. Rather, this is more like the situation recognized by the *Zenith* court and by this Court's decision in *Automatic Radio Mfg. Co., Inc. v. Hazeltine Research, Inc.*, 339 U.S. 827 (1950), in which the licensee pays a lump sum for "the privilege to use any or all" of the copyrights. The licensee "cannot complain that he must pay royalties if he chooses to use none of them". 395 U.S. at 138-139.

Thus, there is no conflict between the court of appeals' decision and *Loew's, Paramount Pictures,* and *Zenith.*

The Bishop's attempt to distinguish *Broadcast Music* from the present case is not only unsuccessful, but it also demonstrates the Bishop's characteristic laxity with the facts.

First, *Broadcast Music* did not hold that copying rights can be negotiated individually and in advance; the footnote in that decision cited by the Bishop (n. 37) refers to dramatic, sheet music, recording, and synchronization rights.

Second, that FEL is the copyright owner and not a licensing organization like ASCAP and BMI further removes the ACL from the antitrust laws and the price-fixing dangers of a joint license. The Bishop's reference to Justice Stevens' comments in dissent about "the illegality of the blanket-only policy if ASCAP and BMI were the exclusive sources of all licenses" (441 U.S. at 28) disregards the undisputed facts that FEL, owner of 1400 copyrights, is one of at least 20 companies in the United States which license churches to copy at least 10,000 different songs, and at least 8 of these publishers are larger than FEL ($400,000 annual gross revenue) in total revenues. In contrast, "almost every domestic copyrighted composition is in the repertory either of ASCAP . . . or of BMI". 441 U.S. at 5.

Third, the ASCAP and BMI consent decrees did not require those organizations to permit negotiation directly with writers and composers or to offer per use licenses, as the Bishop

contends, but required those organizations to permit licensing directly with the copyright owners. Here, FEL is the copyright owner, and the licensees deal directly with FEL.

The Bishop's alleged concern for the supposedly anticompetitive impact of the ACL is not only unbelievable but again disregards the facts. The Bishop did not find the ACL "anticompetitive" until it was sued for copyright infringement and was forced to explain over a million unauthorized copies of songs. The alleged effect of the ACL on 22,000 Catholic parishes ignores the facts that FEL never had more than 1500 ACL licensees at one time, and the remaining parishes either used the One Time Usage License or printed versions of FEL's music, or did without FEL's music altogether, as the Chicago Archdiocese is apparently doing now pursuant to order of the former Archbishop. The effect of the court of appeals decision on FEL's competitors is likely to be pro-competitive, because more competitors may be stimulated to offer a blanket copy license and thereby make their music more available to the public.[10] The Bishop's purported concern that the ACL will somehow reduce royalties to FEL's composers rings unconvincingly coming from a party which has deprived composers of hundreds of thousands of dollars in royalties through unauthorized copying.

III. The Appellate Court's Refusal To Accept The Bishop's Unsupported Interpretation Of An Isolated Clause In The ACL Is Not A Question Of Federal Law Or National Importance Appropriate For Supreme Court Review.

The Bishop also argues that the ACL licenses not-for-profit performances exempted by the Copyright Act. This ground was not given as a reason for granting a writ of certiorari, apparently in recognition of its inappropriateness for Supreme Court review.

---

[10] The Bishop asserts that FEL is the only publisher not to offer a per-song/per-copy license for the life of the copy. In fact, however, a directory published by an official Catholic organization offered by FEL to supplement the record, which was not considered by the appellate court (A. 18a, n. 20), shows the Bishop's claim to be untrue.

The Bishop's contention is based solely on its interpretation of an isolated clause of the license agreement. There was no evidence that any fee was exacted for performance of the music in church, and it was undisputed that with or without the ACL, a congregation could perform (sing) FEL's music from legal printed publications or from memory. Thus, a church's performance rights were unaffected by the ACL, and "its restrictions are well within the rights afforded a copyright owner by the Copyright Act of 1909" (A. 8a).

The Bishop's complaint that a licensee must renew the ACL or destroy copies at the end of the license term disregards the court of appeals' finding that "the ACL grants not merely the right to copy, but the right to continue to use the copies by distributing (publishing) the copies to the congregation during church services" (A. 7a). The Bishop's insensitivity to the realities of publishing is especially noticeable here. On the one hand, the Bishop apparently expects FEL to reduce its $100 blanket license fee, upon which it heavily depends for its gross revenues, to a lower per song per copy fee. On the other hand, the Bishop expects FEL to make its entire repertoire of songs, already available for one year at the relatively low price of $100, available for use on a *permanent* basis under that same license. The result would not only eliminate the sale of printed publications, but eliminate the economic incentive for FEL to remain in business, as well.

The Bishop's claim that FEL exacts royalties for public domain material is another factual dispute grounded entirely upon his own interpretation of an isolated clause in the ACL relating not to the license fee or the rights granted under the license, but to the composer/author and copyright acknowledgments. The Bishop offered, and the court of appeals found, "no evidence that F.E.L. exacted a fee for words in the public domain" (A. 9a n. 9).

There is no question of federal law or national importance in interpreting the language of the ACL, as the Bishop requests this Court to do.

IV. The Court Of Appeals' Decision On The Rule Of Reason Is Firmly Based On Undisputed Facts.

The Bishop claims that he has been deprived of a jury trial on the antitrust issues due to the court of appeals' consideration of the ACL under the rule of reason. The same type of claim is made by nearly every party against whom summary judgment is rendered, but there is no infringement of the right to a jury trial where there are no triable issues of material fact or "significant probative evidence tending to support" the claim. *First National Bank of Arizona v. Cities Service Co.*, 391 U.S. 253, 290 (1968); *Fidelity & Deposit Co. v. United States*, 187 U.S. 315 (1902). That this case involves antitrust issues has no bearing on the propriety of summary judgment, because "no greater caution or concern for litigant's rights is required in the anti-trust context than in other substantive areas of Federal Court litigation". *Weit v. Continental Illinois National Bank & Trust Co.*, 641 F.2d 457, 464 (7th Cir. 1981).

The parties' motions for summary judgment were filed following four years of discovery and were decided after discovery had been closed. The Bishop does not now contend that he was deprived of an opportunity to ascertain additional facts. Instead, the Bishop merely contends that he did not offer some unspecified evidence to show how bad the ACL is, and that it should also be given an opportunity to argue that the ACL is illegal under the rule of reason, as well as being a per se violation.

The Bishop's complaint boils down to the assertions that the annual $100 price of the ACL is too high for churches that want to maintain permanent custom-made hymnals and FEL's other products are too inconvenient, but "neither the expense nor the inconvenience of these alternatives makes them unreasonable" (A. 14a). Nothing in the antitrust laws requires FEL to conduct its business in an uneconomical way or according to a particular customer's preference.

No amount of evidence showing that the ACL is unsatisfactory to the preferences of the Bishop would affect the outcome of the case since, as the court of appeals found, the ACL "has no anti-competitive effects" (A. 15a). Without anti-competitive effects, the balancing of pro- and anti-competitive effects under the rule of reason need not be undertaken. *Columbia Broadcasting System, Inc. v. American Society of Composers, Authors and Publishers, et al.*, 620 F.2d 930, 939 (2d Cir. 1980), *cert. denied*, 450 U.S. 970 (1981).

The Bishop's argument that he has been deprived of an opportunity to argue the rule of reason and that the court of appeals decided the case on a "new theory" lacks merit. Throughout the two cross motions for summary judgment in the district court and on appeal the parties have vigorously argued the validity of the ACL under the antitrust laws. The Bishop offered evidence in the district court upon which he relied in the appellate court, and upon which he still relies, claiming to show that other publishers have different types of licenses and that there is allegedly no "market necessity" for the ACL (P. 4, 14). This type of argument is only consistent with a rule of reason argument.

A rule of reason analysis is not a "new theory" under *Fountain v. Filson*, 336 U.S. 681 (1949). That case involved a complaint alleging the existence of a resulting trust, but the appellate court based its decision on the existence of a personal obligation. The Supreme Court reversed because the losing party in the appellate court had "no occasion in the trial court . . . to dispute the facts material to a claim that a personal obligation existed, . . ." 336 U.S. at 683. Here, in contrast, the alleged antitrust and misuse consequences of the ACL were raised by the Bishop and argued by the parties, and the Bishop hedged his per se argument by also arguing facts material only to a rule of reason analysis. There is nothing unfair and improper about denying the Bishop "a second bite at the same apple".

Finally, that the decision reversed the summary judgment in the Bishop's favor and also found that the ACL was not copyright misuse or violative of the Sherman Act is not improper. Once a party submits issues to the court on a motion for summary judgment, the court has the authority to resolve the issue against the moving party. *Missouri Pacific Railroad Co. v. National Milling Co., Inc.*, 409 F.2d 882, 885 (3d Cir. 1969); 6 *Moore's Federal Practice* ¶ 56.12 at 56-331 (2d ed. 1982). An appellate court has authority to reverse summary judgment in favor of appellee and direct entry of judgment in favor of appellant. *United States v. Great Northern Railway Co.*, 337 F.2d 243, 249 (8th Cir. 1964). In this case, both parties moved for summary judgment, and the appellate court was in the same position as the district court to decide the issues.

CONCLUSION

For the foregoing reasons, the Petition for a Writ of Certiorari should be denied.

Respectfully submitted,

CHARLES A. LAFF
LARRY L. SARET
LAFF, WHITESEL, CONTE & SARET
John Hancock Center,
Suite 3430
Chicago, Illinois 60611
Telephone: (312) 649-0200
Attorneys for Respondent

Office - Supreme Court, U.S.
FILED
SEP 8 1982
ALEXANDER L. STEVAS,
CLERK

No. 82-46

IN THE

Supreme Court of the United States

OCTOBER TERM, 1982

CATHOLIC BISHOP OF CHICAGO

Petitioner,

v.

F.E.L. PUBLICATIONS, LTD.

Respondent.

PETITIONER CATHOLIC BISHOP OF CHICAGO'S REPLY TO F.E.L.'S BRIEF IN OPPOSITION

DON H. REUBEN
JAMES A. SERRITELLA
JAMES A. KLENK
JAROSLAWA ZELINSKY JOHNSON
Attorneys for Petitioner

Of Counsel:
REUBEN & PROCTOR
19 South LaSalle Street
Chicago, Illinois 60603
(312) 558-5500

Pandick Press Midwest, Inc., Chicago • 454-7600

TABLE OF CONTENTS

		PAGE
I.	**THE SEVENTH CIRCUIT'S DECISION EFFECTIVELY NULLIFIES A FUNDAMENTAL RULE OF ANTITRUST LAW**	2
	A. The Court of Appeals' Decision is in Direct Conflict with *Loew's* and *Paramount Pictures*	2
	B. *BMI* cannot be Stretched to Cover this Case Without Overruling *Loew's* and *Paramount Pictures*	4
	C. Certiorari Should Be Granted to Reaffirm this Court's *Zenith* Rule	8
II.	**THIS COURT SHOULD ALSO GRANT CERTIORARI TO DETERMINE THE LEGAL EFFECT OF COPYRIGHT MISUSE**	10

TABLE OF AUTHORITIES

Cases

	PAGE
Alden-Rochelle, Inc. v. *ASCAP*, 80 F. Supp. 888 (S. D. N. Y. 1948)	9
Anderson Foreign Motors, Inc. v. *New England Toyota Distributors, Inc.*, 475 F. Supp. 973 (D. Mass. 1979)	5
Associated Press v. *Taft-Ingalls Corp.*, 340 F. 2d 753 (6th Cir. 1965)	5
Automatic Radio Mfg. Co., Inc. v. *Hazeltine Research*, 339 U. S. 827 (1950)	8, 9
Broadcast Music, Inc. v. *Columbia Broadcasting System, Inc.*, 441 U. S. 1 (1979)	8, 9
Buffalo Broadcasting Co. v. ASCAP, No. 78 Civ. 5670 (S. D. N. Y. Aug. 19, 1982)	7, 8
Catalano, Inc. v. *Target Sales Inc.*, 446 U. S. 643 (1980)	4
Columbia Broadcasting System, Inc. v. *ASCAP*, 620 F. 2d 930 (2d Cir. 1980)	9
F. E. L. Publications Ltd. v. *National Conference of Catholic Bishop*, 466 F. Supp. 1034, (N. D. Ill. 1978)	2
Moore v. *Jas. H. Matthews & Co.*, 550 F. 2d 1207 (9th Cir. 1977)	5
Morton Salt v. *G. S. Suppiger Co.*, 314 U. S. 488 (1942)	10
Repp v. *F. E. L. Publications, Ltd.*, 1981-2 CCH Trade Cas. ¶ 64, 745, (7th Cir. May 18, 1982)	3, 4
Rosebrough Monument Co. v. *Memorial Park Cemetary Ass'n*, 666 F. 2d 1130 (8th Cir. 1981)	5

PAGE

United States v. *Jerrold Electronics Corp.*, 187 F. Supp. 454 (E. D. Pa. 1960) 5

United States v. *Loew's Inc.*, 317 U. S. 38 (1962) ... 2, 6

United States v. *Paramount Pictures*, 334 U. S. 131 (1948) 2, 6, 8, 9

Zenith Radio Corp. v. *Hazeltine Research Inc.*, 395 U. S. 100 (1969) 8, 9

IN THE

Supreme Court of the United States

OCTOBER TERM, 1982

CATHOLIC BISHOP OF CHICAGO

Petitioner,

v.

F.E.L. PUBLICATIONS, LTD.

Respondent.

PETITIONER CATHOLIC BISHOP OF CHICAGO'S REPLY TO F.E.L.'S BRIEF IN OPPOSITION

F.E.L.'s Brief in Opposition ("F.E.L. Br. Op.") only underscores the national importance of this case and the need for Supreme Court review. F.E.L. admits that its Annual Copy License ("ACL"), which the Bishop challenges as a *per se* antitrust violation and a misuse of F.E.L.'s copyrights, was a response to a "growing problem in Catholic churches throughout the United States." (F.E.L. Br. Op., 2.) Indeed, shortly after F.E.L. filed this action it sued the National Conference of Catholic Bishops and the United States Catholic Conference, alleging that copyright violations were being committed in numerous other dioceses and archdioceses, including Boston,

New York, Brooklyn, Buffalo, Cincinnati, Cleveland, Denver, Fort Wayne, South Bend, Green Bay, Phoenix, Arlington (Va.), St. Augustine and San Francisco. *F.E.L. Publications, Ltd. v. National Conference of Catholic Bishops,* 466 F.Supp. 1034, 1039, 1042, and n. 10 (N.D.Ill. 1978).[1]

F.E.L. also admits that the probable effect of the Court of Appeals' decision is that "more competitors may be stimulated to offer a [mandatory] blanket copy license." (F.E.L. Br. Op., 14.) As a result, the 22,000 Catholic parishes in the United States will be forced to pay millions of dollars for the copying rights to music they do not want and will not use. These facts make it especially appropriate that this Court review the Seventh Circuit's effective nullification of this Court's opinions condemning mandatory package licensing of patents and copyrights as *per se* illegal. The Court of Appeals' unorthodox opinion countermands long-accepted antitrust doctrine and rejects the defense of copyright misuse and, unless corrected by this Court, will erase many years of this Court's jurisprudence and spawn confusion in the lower federal courts.

I. THE SEVENTH CIRCUIT'S DECISION EFFECTIVELY NULLIFIES A FUNDAMENTAL RULE OF ANTITRUST LAW.

A. The Court of Appeals' Decision Is in Direct Conflict With *Loew's* and *Paramount Pictures.*

Although F.E.L. claims that *United States v. Loew's Inc.,* 317 U.S. 38 (1962), and *United States v. Paramount Pictures,* 334 U.S. 131 (1948), are inapplicable, it makes no effort to explain why. In both *Loew's* and *Paramount Pictures,* copy-

[1] The *National Conference of Catholic Bishops* case was settled after the church agreed to send a letter reaffirming its position that parishes must obtain permission before copying copyrighted music. It was decided to pursue the antitrust and misuse issues which were then fully briefed in this case.

righted works could readily be, and were traditionally, licensed on an individual basis. However, in order to obtain the desired copyrighted works, a user was required to take other works which were not wanted. The Court held this "mandatory package licensing" or "block-booking" to be *per se* illegal.

The present case is identical. Prior to the institution of the ACL in 1972, parishes could license F.E.L. songs on an individual basis. After 1972, the *only* way a parish can license one F.E.L. song for use in its hymnals is to buy a license—the ACL—for all 1,400 F.E.L. songs. (A. 32a; Fitz. at 33-34.) The record is clear that most parishes do not want more than a few F.E.L. songs (DX I), and F.E.L.'s brief acknowledges that printed publications are "impractical" for at least "some churches" (F.E.L. Br. Op., 2.), and that the One-Time-Use-License was intended for use at single occasions (F.E.L. Br. Op., 3.), and does not permit the inclusion of material in custom made hymnals. In other words, F.E.L. concedes that it does not offer any viable alternative to the ACL.

There also can be no question but that the objective of F.E.L.'s blanket-only licensing policy was to suppress competition between individual copyrighted works. Most curiously, the same Seventh Circuit panel that decided this case later, in an antitrust suit by a composer of liturgical music, described F.E.L.'s practice in language that cannot be squared with the result here:

> The licensing practice employed by F.E.L. was a marketing and distribution practice. Its prime objective was to increase revenues under the familiar "tying" theory that low-in-demand musical works could be sold on the "coattails" of high-in-demand musical works. (cite omitted) The targets F.E.L. had in mind when it developed and instituted this practice were prospective purchasers and users of the musical works.... (*Repp v. F.E.L. Publications, Ltd.* 1981-2 CCH Trade Cas. ¶ 64,745, at p. 71,614 (7th Cir., May 18, 1982).)

The Seventh Circuit's description in *Repp* is correct and indeed is confirmed by F.E.L.'s own documents. F.E.L. ranks its hymns according to popularity and charges commercial publishers (who, unlike parishes, are not forced to buy the ACL to make copies) more than twice as much to copy its "Blockbusters" as its "Medium Popular" hymns. (DX C.) By tying its other songs to its "Blockbusters," F.E.L. eliminates the need for most of its repertoire to compete on the merits.

In sum, certiorari should be granted to resolve the conflict between the decisions of this Court and the opinion below. *Catalano, Inc. v. Target Sales, Inc.*, 446 U.S. 643 (1980).

B. *BMI* Cannot Be Stretched to Cover This Case Without Overruling *Loew's* and *Paramount Pictures*.

The individual salability of F.E.L.'s copyrighted works and the lack of realistically available alternatives to the ACL clearly distinguish this case from *Broadcast Music, Inc. v. Columbia Broadcasting System, Inc.*, 441 U.S. 1 (1979). The ASCAP-BMI blanket licenses, developed under Justice Department consent decrees, are nonexclusive licenses granting nondramatic performance rights—a type of rights for which it is generally not feasible to negotiate individual licenses in advance. (441 U.S. at 11.) ASCAP and BMI cannot insist on a blanket license, and the fees for per-program licenses must offer the user a genuine economic choice between per-program licenses and the blanket licenses. The ASCAP-BMI blanket licenses were not found to be *per se* illegal because "there was no legal, practical or conspiratorial impediment to CBS's obtaining individual licenses; CBS in short, ha[d] a real choice." (441 U.S. at 24.)

The ACL, on the other hand, is mandatory. In *Repp*, the Seventh Circuit confirmed that "[t]he licenses were *non-negotiable* and F.E.L. *never* made available licenses covering less than all 1,145 works [now 1,400] or less than the $100.00 flat fee." *Repp, supra*, 1981-2 CCH Trade Cas. at p. 71,612 (emphasis added). A parish seeking to use a few F.E.L. hymns in its hymnal has *no* real choice but to take the blanket ACL.

The "single product" argument advanced by F.E.L. (F.E.L. Br. Op., 7-8.) and accepted by the Court of Appeals (A.11a-12a.) furnishes no basis for allowing F.E.L. to offer *only* a blanket license. A seller cannot evade the *per se* rule against tying by simply denominating a forced combination of what are normally offered as separate products as a "single product." *United States v. Jerrold Electronics Corp.*, 187 F.Supp. 454, 459 (E.D.Pa. 1960), *aff'd per curiam*, 365 U.S. 567 (1961). When such a claim is raised, analysis should focus on whether it is necessary in the interests of economic efficiency to offer *only* the combination. *Rosebrough Monument Co. v. Memorial Park Cemetary Ass'n*, 666 F.2d 1130, 1141-42 (8th Cir. 1981), *cert. denied*, ____ U.S. ____ (1982); *Moore v. Jas. H. Matthews & Co.*, 550 F.2d 1207, 1215 (9th Cir. 1977); *Associated Press v. Taft-Ingalls Corp.*, 340 F.2d 753, 764 (6th Cir.), *cert. denied*, 382 U.S. 820 (1965); *Anderson Foreign Motors, Inc. v. New England Toyota Distributors, Inc.*, 475 F.Supp. 973, 982-86 (D.Mass. 1979). "Unless a cost savings results from the tying arrangement or the tied and tying products are typically used as a unit in fixed proportions, the tied product is often regarded as 'generically different,'" *Rosebrough, supra*, 666 F.2d at 1141; *Moore, supra.*

The record in this case presents an ideal opportunity for this Court to clarify the "single product" doctrine. The fact that parishes repeatedly requested licenses for only a few of F.E.L.'s 1400 compositions shows that offering only a blanket license does not promote economic efficiency. *Anderson, supra*, 475 F.Supp. at 985 ("dealer objections to the arrangement in the instant case suggest that it might not be an economically efficient approach"). Indeed, the "FDLC Update of Music Publishers' Reprint Permissions" (which F.E.L. offered for the first time in the Court of Appeals when F.E.L. was urging that disputed issues of fact barred summary judgment for the

Bishop) shows that users who are given a *choice* between individual and package licenses prefer *individual* licenses. (FDLC Update, pp. 28, 32.)[2]

Further, despite F.E.L.'s assertions to the contrary (F.E.L. Br. Op., 14 n. 10.), in the liturgical music licensing market licenses for individual hymns are normally offered separately. (Coughlin 24-25.) Only F.E.L. offers *only* a blanket license, even though no practical barrier to offering individual licenses exists. Not only did F.E.L.'s competitors offer per song licenses to parishes (at least prior to the decision below), but F.E.L. *itself* did so prior to 1972, and F.E.L. *continues* to offer individual licenses to commercial publishers and to pay its composers different amounts for each song.[3] Given these facts, there is no way to hold that the ACL is a "single product" without overruling the prohibition on "block-booking" laid down by this Court in *Loew's* and *Paramount Pictures.*

F.E.L.'s other attempts to attack the Bishop's analysis of *BMI* further underscore the need for review by this Court. *First,* the significance of BMI's footnote 37 is that it shows that the ASCAP-BMI blanket licenses are limited to nondramatic performance rights. By way of illustration, this Court in *BMI* points out that other rights such as dramatic, sheet music, recording and synchronization can be negotiated individually. As demonstrated by the practice of every publisher of liturgical music except F.E.L., copying rights likewise not only can be but are negotiated individually—that is the reality of the liturgical copy license market and the basis upon which antitrust cases must be decided.

---

[2] In stark contrast, ASCAP and BMI were formed to offer blanket licenses because it was generally impractical to negotiate licenses for the nondramatic performance of individual songs.

[3] The Seventh Circuit refused to consider the FDLC Update when it was proferred by F.E.L. But licensing policies of other publishers and consumer preferences are precisely the kind of evidence which the Catholic Bishop would offer if this case must be tried under the rule of reason.

Second, contrary to F.E.L.'s claim (F.E.L. Br. Op., 13.), the fact that F.E.L. owns its 1400 copyrights whereas ASCAP and BMI merely hold nonexclusive licenses *adds* to the anticompetitive effect of the ACL. Because ASCAP and BMI are merely middlemen or wholesalers of music, they can be avoided by a user through direct dealings with the copyright owner. F.E.L., on the other hand, has unfettered authority to extort whatever payments it can from its users. Justice Stevens' comments in his separate opinion in *BMI* about the "illegality of the blanket-only policy if ASCAP and BMI were the exclusive source of all licenses" (441 U.S. at 28) are thus directly applicable here.

Third, the ASCAP-BMI consent decrees require that alternatives to the blanket license be available on an individual basis through negotiations with the copyright holder—whether writer, composer or publisher. Here, there are no realistically available alternatives to the ACL. Even F.E.L.'s Brief in Opposition admits that printed publications are "impractical"—*i.e.,* not a substitute (F.E.L. Br. Op., 2.)—and that its One Time Usage License cannot be used to make a hymnal. (F.E.L. Br. Op., 3.)

The narrow scope of *BMI* is dramatized by a recent decision of the United States District Court for the Southern District of New York, which held the same ASCAP-BMI blanket licenses challenged in the *BMI* case to be illegal restraints of trade as applied to local television stations because no alternative opportunities were realistically available to them. *Buffalo Broadcasting Co., v. American Society of Composers, Authors and Publishers,* No. 78 Civ. 5670, slip op., (S.D.N.Y. August 19, 1982). The district court after a full trial (which the Seventh Circuit has denied the Bishop here) held that alternatives were not "realistically available" if they are "so costly or inefficient as to be impractical and unappealing to any user choosing freely." (*Id.* at 23.) It then found that because individual stations (like the individual parishes with which F.E.L. dealt) have much less market power than CBS, no

"realistically available" alternatives existed for them—per program licenses were too costly and burdensome (*Id.* at 29.), and direct or source licensing was unlikely to be obtained by someone without buying power. (*Id.* at 33.) The court further held (contrary to the Seventh Circuit here [A.13a.]) that *any* blanket license has anticompetitive potential, and that insofar as local television stations were concerned, that potential outweighed any benefits of a blanket license. (*Id.* at 37-38.)

Because alternatives to the ACL are not realistically available, this case falls squarely within the fundamental rule of antitrust law laid down by this Court in *Loew's* and *Paramount Pictures*, not within the narrow *BMI* exception. By enlarging the exception to the point where it completely swallows the rule—particularly in a case affecting each of the 22,000 Catholic parishes and millions of Catholics in the United States—the Court of Appeals committed a significant doctrinal error clearly warranting intervention by this Court.

C. Certiorari Should Be Granted to Reaffirm this Court's *Zenith* Rule.

F.E.L.'s claim that *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100 (1969), and *Automatic Radio Mfg. Co., Inc. v. Hazeltine Research*, 339 U.S. 827 (1950), stand for the proposition that the licensee pays a lump sum for "the privilege to use any or all" of the copyrights and, therefore, "cannot complain that he must pay royalties if he chooses not to use them" (F.E.L. Br. Op., 13.) is simply wrong. The subsequent paragraphs of the *Zenith* opinion, carefully avoided by F.E.L., provide the appropriate context for the quoted passages:

> But we do not read *Automatic Radio* to authorize the patentee to use the power of his patent to insist on a total-sales royalty and to override protestations of the licensee that some of his products are unsuited to the patent or that for some lines of his merchandise he has no need or desire to purchase the privileges of the

> patent. In such event, not only would royalties be collected on unpatented merchandise, but the obligation to pay for nonuse would clearly have its source in the leverage of the patent.
>
> We also think patent misuse inheres in a patentee's insistence on a percentage-of-sales royalty, regardless of use, and his rejection of licensee proposals to pay only for actual use. Unquestionably, a licensee must pay if he uses the patent. *Equally, however, he may insist upon paying only for use.* . . . (*Zenith*, 395 U.S. at 139; emphasis added.)

The true significance of *Zenith* and *Automatic Radio* was succinctly stated by the Second Circuit on remand in *BMI:* "Trade is restrained, frequently in an unreasonable manner, when rights to use individual copyrights or patents may be obtained only by payment for a pool of such rights [citing *Paramount Pictures, Zenith,* and *Alden-Rochelle, Inc. v. ASCAP,* 80 F. Supp. 888 (S.D.N.Y. 1948)], but the opportunity to acquire a pool of rights does not restrain trade if an alternative opportunity to acquire individual rights is fully available." *Columbia Broadcasting System, Inc. v. ASCAP,* 620 F.2d 930, 935-36 (2d Cir. 1980), *cert. denied,* 450 U.S. 970 (1981).

In the present case, no realistically available alternative to acquire individual rights exists. The only practical way for a parish to obtain the right to use an individual F.E.L. song in its custom hymnal is to pay for a pool of 1400 F.E.L. songs—the ACL. *Zenith* and *Automatic Radio,* far from supporting F.E.L.'s position, add further weight to the inescapable conclusion that the Seventh Circuit's decision effectively nullifies a fundamental principle of antitrust law painstakingly established by this Court—that individually-salable patents or copyrighted works must be permitted to compete in the marketplace on their own merits. Only by granting *certiorari* and reversing the Court of Appeals can this principle be preserved.

II. THIS COURT SHOULD ALSO GRANT CERTIORARI TO DETERMINE THE LEGAL EFFECT OF COPYRIGHT MISUSE.

F.E.L.'s Brief in Opposition also confirms the need for this Court to provide the lower federal courts with guidance on whether misuse of a copyright, like misuse of a patent, renders the statutory grant unenforceable. Since *Morton Salt v. G.S. Suppiger Co.*, 314 U.S. 488, 493-94 (1942), this Court has consistently held that misuse of a patent precludes the patentee from enforcing it "regardless of whether the particular defendant has suffered from the misuse." Moreover, *Loew's* states that patent misuse principles are generally applicable to copyright misuse.

A number of lower court decisions—including that of the District Court in this case (A.35a-36a.)—have accordingly held that misuse of a copyright renders it unenforceable until the misuse has been "purged." The Seventh Circuit, however, concluded that misuse of a copyright does *not* necessarily preclude its enforcement. (A.9a.) F.E.L. goes even further, branding those lower court decisions applying *Morton Salt* to copyright misuse as "aberration[s]." (F.E.L. Br. Op., 10.) Indeed, F.E.L. originally sought summary judgment in this case on the theory that copyright misuse *never* renders the copyright unenforceable.

This case directly and appropriately presents this Court with an opportunity to decide the legal effect of copyright misuse. Not only did F.E.L. engage in illegal "block-booking" of its copyrights, but the ACL on its face (1) purports to command unsophisticated nuns and priests to purchase the license if they wish "to perform the music and/or text at not-for-profit performances" (A.41a.), and (2) licenses the copying

and performance of material in the public domain (A.41a-42a.), neither of which are rights granted by the copyright laws.[4]

The question whether a copyright holder's right to enforce a copyright is precluded by misuse of the copyright is important to the administration of the copyright laws. Certiorari should be granted to resolve this controversy as well as to preserve the rule that individually-salable copyrights or patents must be permitted to compete on their own merits.

In light of the foregoing, the Catholic Bishop suggests that plenary review of the action below is warranted.

Respectfully submitted,

DON H. REUBEN
JAMES A. SERRITELLA
JAMES A. KLENK
JAROSLAWA ZELINSKY JOHNSON
Attorneys for Petitioner

Of Counsel:
REUBEN & PROCTOR
19 South LaSalle Street
Chicago, Illinois 60603
(312) 558-5500

---

[4] The Seventh Circuit's statement that "we . . . do not believe that the ACL, read as a whole, exacts a fee for exempt performances" (A.9a.) is inconsistent with the language of clause 4 of the ACL, "which purportedly grants the user the right to perform the music at not-for-profit services" (A.6a.), and assumes that nuns and priests are familiar with the intricacies of the copyright laws. Its further statement that "there is no evidence that F.E.L. exacted a fee for words in the public domain" (A.9a.) ignores the admission of F.E.L.'s chief financial officer (Boyd Dep. at 31-32) that F.E.L. did exactly that.